

123 FERC ¶ 61,265  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Midwest Independent Transmission System Operator, Inc.                      Docket Nos. ER08-637-000  
ER08-637-001

Transmission Owners of the Midwest Independent  
Transmission System Operator, Inc.

ORDER CONDITIONALLY ACCEPTING IN PART PROPOSED TARIFF  
REVISIONS AND REQUIRING COMPLIANCE FILINGS  
AND FURTHER INFORMATION

(Issued June 13, 2008)

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1. Midwest Independent Transmission System Operator, Inc. (Midwest ISO) proposes to offer under its Open Access Transmission and Energy Markets Tariff (TEMT

or Tariff)<sup>1</sup> to Mid-Continent Area Power Pool (MAPP) members and other eligible entities Reliability Coordination Service (Reliability Service or Part I service), Interconnected Operations and Congestion Management Service (Seams Service or Part II service) and Market Coordination Service (Market Service or Part III service) (together, Western Markets Proposal). In this order, we conditionally accept the proposed Reliability and Seams Services and require compliance filings. We also find the proposed Market Service of the Western Markets Proposal deficient and request additional information necessary for our evaluation of that proposal.

2. On March 4, 2008, as amended on March 24, 2008, Midwest ISO and Midwest ISO Transmission Owners<sup>2</sup> filed the Western Markets Proposal under section 205 of the Federal Power Act.<sup>3</sup> We conditionally accept the proposed Reliability Service and Seams Service as discussed below. We find that Reliability Service and Seams Service provide for enhanced reliability coordination and coordination of congestion management across market-to-non-market seams on a broader, more uniform basis than currently exists today. Reliability Service makes available to MAPP members and other eligible entities under the TEMT the reliability coordination service that Midwest ISO currently provides to Midwest ISO Transmission Owners pursuant to the Midwest ISO Transmission Owners Agreement (Midwest ISO TO Agreement)<sup>4</sup> and to MAPP

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<sup>1</sup> Midwest ISO, FERC Electric Tariff, Third Revised Vol. No. 1.

<sup>2</sup> See Midwest ISO Proposal at 2-3. Midwest ISO Transmission Owners join in the filing solely with respect to Schedule 32 (Market Integration Transmission Service). For purposes of the filing, Midwest ISO Transmission Owners include: American Transmission Systems, Inc., a subsidiary of FirstEnergy Corp.; Duke Energy Shared Services for Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., and Duke Energy Kentucky, Inc.; Hoosier Energy Rural Electric Cooperative, Inc.; Manitoba Hydro; Michigan Public Power Agency; Minnesota Power (and its subsidiary Superior Water, L&P); Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company; Southern Minnesota Municipal Power Agency; and Wabash Valley Power Association, Inc.

<sup>3</sup> 16 U.S.C. § 824d (2000).

<sup>4</sup> Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation, Midwest ISO, FERC Electric Tariff, First Revised Rate Schedule No. 1 (Midwest ISO TO Agreement).

members pursuant to separate contractual arrangements. Similarly, Seams Service makes available under the TEMT seams coordination services that are currently provided under individual seams or joint operating agreements. We find that placing these services under the TEMT will lower the costs of administering these arrangements and address concerns about undue discrimination. We also find that the obligatory redispach in the new Seams Service will provide more options to reliably manage congestion and thus reduce redispach costs, including unit commitment-related costs, for both Midwest ISO and neighboring areas.

3. We find, however, that Midwest ISO's Market Service proposal, under which Midwest ISO proposes to make day-ahead and real-time energy and operating reserve markets available to entities that are not signatories to the Midwest ISO TO Agreement, is deficient, and that additional information and clarifications are required to process this part of Midwest ISO's filing. As discussed below, we will require Midwest ISO to submit, within 60 days of the date of this order, a compliance filing addressing our questions in Appendix B regarding Part III of the proposed Module F, the Market Service *pro forma* agreement in Attachment KK (Attachment KK-3), Attachment MM, the proposed modifications to Attachment L, proposed new Schedule 32, and proposed revisions to Modules A and C that relate solely to Market Service. We will also permit parties to this proceeding and interested persons that are not parties to this proceeding to submit, within 60 days of the date of this order, comments addressing broad policy issues regarding the Market Service proposal.

### **I. Background and Summary of the Proposal**

4. The Western Markets Proposal represents a significant undertaking by Midwest ISO to coordinate with nearby entities and to expand its regional energy market by incorporating utilities outside of the footprint of the Midwest ISO Transmission Owners. Midwest ISO has been operating as a North American Electric Reliability Corporation (NERC) reliability coordinator for MAPP entities under a Transmission Services Agreement (TSA). Midwest ISO and MAPP also executed a Seams Operating Agreement (SOA) that provides coordination across the market-to-non-market seam. The initial terms of both the TSA and SOA ended earlier this year, and the parties implemented "bridge agreements" while they worked on developing more permanent replacement agreements. Some MAPP members wanted to participate in Midwest ISO's congestion management system based on locational marginal prices (LMP) but also wanted to retain their own transmission tariffs and operate their own transmission systems. Without the retention of their transmission tariffs, few MAPP members were willing to join Midwest ISO due to severe cost shifts that could occur with standard entry due to (1) loss of transmission revenues that would occur in changing from pancaked

rates to license plate rates<sup>5</sup> and (2) regional cost sharing for new transmission facilities accepted in the Regional Expansion Criteria and Benefits (RECB) proceedings.<sup>6</sup>

5. Midwest ISO states that these discussions led to the proposed addition of a new Module F in the TEMT consisting of three distinct services: Reliability Service, Seams Service, and Market Service. As part of its Market Service proposal, Midwest ISO proposes to offer a new transmission service, Market Integration Transmission Service (MITS), that will provide transmission needed for operation of Midwest ISO's markets, while maintaining revenues associated with pancaked transmission charges. Midwest ISO states that providing these services through the Tariff will increase transparency and help to ensure that no entity receives a special deal with preferential terms. Furthermore, Midwest ISO notes that placing these services under the Tariff allows them to be subject to Tariff enforcement mechanisms, including dispute resolution processes.

6. Midwest ISO submitted changes to Modules A and C and proposes three Attachments (KK, LL, and MM) and two new Schedules (31 and 32) under the TEMT to implement its proposal. It also proposes modifications to Attachment L to ensure that Market Service customers are subject to appropriate credit requirements.

7. Midwest ISO requests a June 1, 2008 effective date for the Western Markets Proposal. New customers under the Western Markets Proposal will participate in Midwest ISO's Long Term Transmission Rights (LTTR) allocation, which occurs in the last quarter of each year. Midwest ISO states that there needs to be enough time between the effective date of the Western Markets Proposal and the integration of new Market Service customers to ensure that the customers can receive LTTRs in the 2008 process and, thus, not have to wait until 2009 to integrate into the market.

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<sup>5</sup> Rate pancaking occurs when a transmission customer is charged separate access charges for each utility service territory the customer's contract path crosses. License plate pricing is a zonal pricing structure, where prices are charged based on the zonal rate where the load is located.

<sup>6</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,106 (2006) (RECB I Order), *order on technical conference, reh'g and compliance*, 117 FERC ¶ 61,241 (2006) (RECB I Order on Rehearing), *order on reh'g*, 118 FERC ¶ 61,208 (2007) (RECB I Further Order on Rehearing), *order*, 118 FERC ¶ 61,209 (2007) (RECB II Order), *order on reh'g*, 120 FERC ¶ 61,080 (2007) (RECB II Order on Rehearing and Compliance), *order on reh'g and compliance*, 122 FERC ¶ 61,127 (2008) (RECB II Further Order on Rehearing and Compliance).

**A. Reliability Service**

8. Reliability Service will extend the reliability coordination service that Midwest ISO currently provides to Midwest ISO Transmission Owners and MAPP members to all eligible customers. This includes providing generation operating reserves and transmission system security and mitigating any potential problems on customers' systems. When Reliability Service is taken on a stand-alone basis, Midwest ISO will use NERC Transmission Loading Relief (TLR) procedures to manage congestion on the Reliability Service customer's transmission system. Because Midwest ISO Transmission Owners will receive comparable reliability coordination services pursuant to the Midwest ISO TO Agreement and under other modules of the TEMT, they are not eligible to receive Reliability Service.

**B. Seams Service**

9. Midwest ISO has a number of Commission-approved "seams" coordination agreements with neighboring systems, including MAPP. Generally, these agreements provide a mechanism to manage market-to-non-market interfaces and specify an array of congestion management tools that are utilized for that purpose, including a standardized Congestion Management Process (CMP). The Seams Service proposed here is based on that standard, Commission-approved CMP and will be available to NERC-registered transmission providers that provide reciprocal transmission service pursuant to an open access transmission tariff or other applicable tariff using transmission facilities that are physically connected with the Midwest ISO transmission system. This service will be similar to that currently provided under existing market-to-non-market seams coordination agreements. For example, during TLR events on the Seams Service customer's system, Midwest ISO will be responsible for reducing flows from its market that contribute to constraints on the Seams Service customer's transmission system. However, Seams Service differs from existing market-to-non-market seams coordination agreements in one significant way: Midwest ISO and non-market entities will be *required* to offer and to provide generation redispatch to the other entity when such redispatch is economically superior to curtailment or other redispatch to meet the other entity's TLR obligation, subject to certain legal and reliability limitations.<sup>7</sup>

**C. Market Service**

10. Under its Market Service proposal, Midwest ISO will expand its energy and ancillary services markets over the transmission systems of MAPP members or other non-Midwest ISO Transmission Owners that choose to be integrated into the market.

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<sup>7</sup> Under most existing seams agreements, one party can request that the other party provide redispatch, but the other party is not obligated to meet that request.

Those integrating into the energy and ancillary services markets (Market Service customers) will maintain their own Open Access Transmission Tariffs (OATTs), continue to charge pancaked transmission rates, and retain the authority to plan their own transmission systems. Midwest ISO states that the proposed expansion of its energy market into MAPP will provide advantages such as more efficient dispatch resulting in lower regional energy costs, improved reliability, lower uplift, and lower per-unit administrative costs. Midwest ISO will allow Midwest ISO Transmission Owners who withdraw from the Midwest ISO TO Agreement, or transmission owners who withdraw from other regional transmission organizations (RTOs), to become Market Service customers on the same terms as are available to the MAPP members.

## **II. Notice of Filing and Responsive Pleadings**

11. Notice of Midwest ISO's March 4, 2008 filing, was published in the *Federal Register*, 73 Fed. Reg. 14,462 (2008), with interventions and protests due on or before April 7, 2008.<sup>8</sup> Notice of Midwest ISO's March 24, 2008 amendment was published in the *Federal Register*, 73 Fed. Reg. 17,697 (2008), with interventions and protests due on or before April 7, 2008.<sup>9</sup> Notices of intervention, motions to intervene, answers and replies were filed by the entities identified in Appendix A, and the party abbreviations listed in Appendix A will be used throughout this order.

## **III. Discussion**

### **A. Procedural Issues**

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2007), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept the answers of Basin Electric, MidAmerican, Midwest ISO, Midwest ISO TOs, Midwest TDUs, and Minnkota, the reply of Basin Electric, and the supplemental comments of Midwest TDUs because they have provided information that assisted us in our decision-making process.

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<sup>8</sup> See Notice of Extension of Time, Docket No. ER08-637-000 (Mar. 19, 2008); Notice of Extension of Time, Docket No. ER08-637-000 (Mar. 27, 2008).

<sup>9</sup> *Id.*

**B. Substantive Issues****1. Reliability Service****a. Midwest ISO Proposal**

14. Midwest ISO proposes to perform Reliability Service by maintaining the reliability of the combined systems in accordance with the standards established by the NERC, the relevant regional entity, and good utility practice. Under this proposal, Midwest ISO will maintain its status as reliability coordinator and will act as the reliability coordinator of the Reliability Service customers' transmission facilities throughout the term of the service agreement executed pursuant to section 74 and Attachment KK-1 of the TEMT.

15. Midwest ISO states that Reliability Service makes available to all eligible customers Midwest ISO's reliability coordination services, which are currently available to Midwest ISO Transmission Owners pursuant to the Midwest ISO TO Agreement and to MAPP members pursuant to separate contractual arrangements.<sup>10</sup> Reliability Service consists of the specific tasks and functions required of Reliability Coordinators by the NERC Reliability Standards, as they may be amended from time to time.

16. In providing Reliability Service, Midwest ISO will, among other things: (a) monitor the Reliability Service customer's transmission system to ensure operational reliability of the combined systems; (b) provide on-line network modeling using state estimation and real-time contingency analysis in the operating time frame; (c) provide operations engineering services, such as analyzing the Combined Reliability Systems' adequacy and security for day-ahead operations and conducting voltage collapse studies when requested; (d) use TLR procedures to relieve actual or potential operating security limit violations; and (e) monitor the Reliability Service customer's compliance with applicable NERC and Regional Entity standards and supporting such compliance with data as required.

17. When Reliability Service is taken on a stand-alone basis, Midwest ISO will use NERC TLR procedures to manage congestion on the Reliability Service customer's

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<sup>10</sup> In December 2001, Midwest ISO entered into the TSA with MAPPCOR under which Midwest ISO would act as a reliability coordinator for MAPP members and provide Reliability Service to non-Midwest ISO MAPP members. The TSA expired on February 1, 2008, and the parties implemented "bridge agreements" while they worked on developing more permanent replacement arrangements. Midwest ISO states that the bridge agreement ensures that the reliability coordination services provided under the TSA continue without interruption pending the review and approval of Module F.

transmission system. If the Reliability Service under Part I of Module F is combined with the Seams Service under Part II of Module F, then the congestion management procedures under Part II of Module F will be used.

18. To be eligible for Reliability Service, a customer must be an operating entity that is either: (1) a Market Service customer taking service under Part III of Module F; or (2) a NERC-registered balancing authority or a NERC-registered transmission operator that is not, during the time Reliability Service is provided, a signatory to the Midwest ISO TO Agreement. Because Midwest ISO Transmission Owners will receive comparable reliability coordination services pursuant to the Midwest ISO TO Agreement and under other modules of the TEMT, they are not eligible to receive Reliability Service.

19. Midwest ISO proposes that Reliability Service customers commit to an initial term of three years, after which the customer may renew the service for successive one-year terms and may terminate the service upon one-year notice. A public power entity will be permitted to terminate the agreement with shorter notice if Midwest ISO's Tariff is amended in a way that could cause a conflict with state laws and regulations.

20. Midwest ISO proposes that the charge for Reliability Service, the Reliability Coordination Cost Recovery Adder,<sup>11</sup> be the portion of Tariff Schedule 10 fees<sup>12</sup> that are attributable to the reliability coordination functions performed by Midwest ISO. Midwest ISO states that this portion is currently estimated to be approximately 51 percent of the Schedule 10 fees. Midwest ISO proposes to bill Reliability Service customers on a monthly basis pursuant to the procedures set forth in proposed section 7.19 of the Tariff.

21. As proposed, Reliability Service customers will be required to pay a withdrawal fee upon termination of their service agreement with Midwest ISO. Proposed section 77.3 of the Tariff requires the withdrawing customer to pay an allocated share of the remaining book value of all incremental capital assets associated with the provision of the services under Part I of Module F and the applicable service agreement that are under development or in service as of the termination date including certain financing costs associated with such assets.

22. Proposed section 78 of the TEMT establishes a Reliability Coordination Technical Committee (RCTC) and provides its basic composition, voting procedures, and functions. The RCTC will be composed of Midwest ISO and Reliability Service customers and perform several duties in regard to Reliability Service, including:

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<sup>11</sup> The Reliability Coordination Cost Recovery Adder is set forth in proposed Schedule 31 of the Tariff.

<sup>12</sup> Schedule 10 of the Tariff contains the Midwest ISO's Cost Recovery Adder.

reviewing operating and technical implementation procedures, practices, and guides; participating in the development of business practices manuals (BPMs); and addressing other matters necessary for implementation, administration, or operation of Reliability Service.

23. Midwest ISO states that the RCTC will serve only advisory functions and will not be a part of the formal stakeholder governance process. It adds that any Tariff changes suggested by the committee will be reviewed by the appropriate Midwest ISO stakeholder committee prior to being filed with the Commission. Proposed section 78.9 provides that the RCTC may coordinate its activities with the Reliability Subcommittee of Midwest ISO's stakeholder group, including attendance at and participation in Reliability Subcommittee meetings, if such participation is provided by the Reliability Subcommittee's charter.

**b. Comments**

24. OMS supports the Reliability Service proposal and states that it believes that this service will provide a stable, long-term platform for the provision of reliability services across the combined Midwest ISO and MAPP regions and is a suitable replacement for the Midwest ISO-MAPP TSA.

25. Basin Electric and Corn Belt express concern regarding proposed section 77.3 of the Tariff, which addresses the termination fees associated with Reliability Service. Basin Electric and Corn Belt argue that the Commission should require Midwest ISO to revise section 77.3 to be consistent with section 94.3. Section 94.3 addresses the termination fees related to Market Service and states that termination fees are only applicable if a Market Service customer does not become a Midwest ISO Transmission Owner upon the termination of the applicable service agreement.<sup>13</sup> Basin Electric and Corn Belt assert that the Reliability Service customers should similarly only pay termination fees if they do not become Midwest ISO Transmission Owners.

26. Midwest ISO TOs point to Midwest ISO's witness Moeller's testimony, which states that the current MAPP Reliability Service will terminate upon the effectiveness of the proposed Reliability Service.<sup>14</sup> However, Midwest ISO's proposal does not explain what happens if a MAPP member does not participate immediately by taking Reliability Service upon the effectiveness of Module F. Midwest ISO TOs caution the Commission that the failure of MAPP members to participate in Module F can erode Midwest ISO's

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<sup>13</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, Original Sheet No. 850Z.69.

<sup>14</sup> Midwest ISO TOs Comments at 15.

ability to effectively manage reliability. Midwest ISO TOs therefore request that existing bridge agreements remain in effect until a customer either begins Reliability Service or demonstrates that it has made alternative arrangements for the service. Midwest ISO TOs argue that existing bridge agreements should be permitted to continue for no longer than six months from the effective date of Reliability Service.

27. Dairyland and Nebraska Public Power also caution the Commission regarding termination of the bridge agreements and request clarification from Midwest ISO that services provided under the bridge agreements will not terminate immediately upon the Commission's approval of Midwest ISO's Reliability Service proposal. Instead, they request that MAPP members be given a reasonable time after approval to decide on an appropriate course of action. Dairyland requests that the Commission require Midwest ISO to make a new section 205 filing to terminate the bridge agreements.

28. Minnkota expresses concern regarding the material cost increases for the MAPP members who take Reliability Service. Minnkota suggests that Midwest ISO buy the existing facilities and software from MAPP COR to minimize the incremental costs for the new Reliability Service customers. Minnkota also protests the Schedule 31 charges and states that Reliability Service should include only the cost of providing Reliability Service and not include non-Reliability Service costs. Minnkota contends that it is a party to settlement agreements concerning the treatment of grandfathered transmission service agreements (GFAs) in Midwest ISO's energy markets, and that pursuant to such settlement agreements, it is protected from having to pay Midwest ISO market charges.

29. With regard to the RCTC, Ameren argues that the committee lacks sufficient description in the Tariff and was improperly developed outside of the formal stakeholder process. It contends that the Tariff does not provide sufficient information regarding the new committee, including its charter, relationship with existing Midwest ISO committees, inclusion of other stakeholders that do not take Reliability Service, and methods for accountability and reporting. Ameren requests that the Commission require Midwest ISO to follow the practices set forth in the Stakeholder Governance Guide<sup>15</sup> to ensure that the new committee is created using the established and approved guidelines, including an adequate stakeholder process and the development of documented and approved charters and work plans.

30. Midwest TDUs object to the composition and function of the RCTC. Contrary to Midwest ISO's assertion that the committee will only be advisory, they contend that the proposed Tariff revisions give the committee functions similar to those of Midwest ISO's

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<sup>15</sup> See Midwest ISO, *Stakeholder Governance Guide* (Mar. 2008), available at <http://www.midwestmarket.org/page/Committees>.

Advisory Committee, including development of BPMs and other matters necessary for the implementation, administration, and operation of Reliability Service. Midwest TDUs conclude that membership in the committee should be expanded to give all stakeholders balanced and comparable representation, similar to the composition of the Advisory Committee.<sup>16</sup>

**c. Answers**

31. MidAmerican in its answer supports Dairyland's suggestion that the Commission require Midwest ISO to submit a section 205 filing to terminate the bridge agreements between Midwest ISO and MAPP.<sup>17</sup> MidAmerican asserts that establishing fixed deadlines would lead to requests for extension.

32. Midwest ISO, in its answer to Minnkota's concern regarding the potential increase in Schedule 31 charges, states that Minnkota is currently receiving the same reliability coordination services through the bilateral reliability coordination agreement between Midwest ISO and MAPP COR as it will under Reliability Service. The service costs charged under this bilateral agreement use the same methodology contained in Schedule 31, which therefore will not result in any increase in the costs to be charged to Minnkota if it plans to take Reliability Service.

33. In addition, Midwest ISO states that concerns regarding the formation, composition, and function of the RCTC are fully addressed in its proposed Tariff provisions. Midwest ISO reiterates that the committee is only advisory in nature and is intended to provide a channel for feedback regarding various aspects of proposed Module F. According to Midwest ISO, the committee has no authority in relation to the existing stakeholder process and any proposed Tariff revisions would still be routed through the existing stakeholder committee structure for review and discussion.

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<sup>16</sup> Midwest TDUs contend that such diverse stakeholder involvement is consistent with the Tariff's Network Operating Committee provisions and Order No. 2000's discussion of RTO governance independent of market participant bias. *See Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089, at 31,061 (1999), *order on reh'g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000), *aff'd sub nom. Pub. Util. Dist. No. 1 of Snohomish County, Washington v. FERC*, 272 F.3d 607 (D.C. Cir. 2001).

<sup>17</sup> MidAmerican Answer at 14.

**d. Commission Determination**

34. We find that the Midwest ISO proposal for offering Reliability Service under Module F is just and reasonable, subject to a further compliance filing, and we conditionally accept Part I of Module F effective June 1, 2008. We expect Midwest ISO to work with its customers so that there is no gap between when a customer's bridge agreement expires and the effectiveness of Reliability Service for that customer. Midwest ISO must provide this transition assistance on a non-discriminatory basis to all customers that need to transition from the existing bridge agreements to Reliability Service under the TEMT. We will also require Midwest ISO to establish, in conjunction with stakeholders, a schedule for moving from the bridge agreements to Reliability Service to ensure a smooth transition between these agreements. We require Midwest ISO to specify this schedule in a compliance filing to be submitted within 30 days of the date of this order. Accordingly, we find that existing bridge agreements, which are not currently on file with the Commission, can remain in effect consistent with the transition schedule adopted by the parties until a customer either begins taking Reliability Service or demonstrates that it has made alternative arrangements for the service.

35. In order to address concerns raised by Basin Electric and Corn Belt regarding termination fees for Reliability Service, we require Midwest ISO to clarify in section 77.3 that the termination fee will be applicable only if a Reliability Service customer does not become a Midwest ISO Transmission Owner.

36. We agree with Midwest ISO's answer to Minnkota regarding Schedule 31 charges, which states that there will not be any increase in the costs to be charged to Minnkota because Reliability Service is essentially unchanged. In response to Minnkota's suggestion that Midwest ISO purchase assets such as software and tools from MAPP COR to minimize the incremental costs of providing Reliability Service, we note Midwest ISO's statement that it previously purchased the majority of the MAPP COR assets in late 2001 when it entered into the TSA.<sup>18</sup> In any case, the decision to purchase or not to purchase any additional assets is outside the scope of this proceeding.

37. We will conditionally allow the formation of the RCTC to assist in the development and review of procedures and BPMs, resolve novel technical and operating problems, and provide a conduit for customers to relay and discuss Reliability Service issues. We will conditionally accept the proposed RCTC, subject to the submission, in the compliance filing due within 30 days of the date of this order, of further clarifications and Tariff revisions, as discussed below.

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<sup>18</sup> See Midwest ISO Proposal at 6.

38. We will not require Midwest ISO to gain approval by nor follow the procedures of existing Midwest ISO stakeholder committees in order to form the RCTC. We note that Midwest ISO held numerous workshops, conferences, and meetings to allow MAPP members and Midwest ISO stakeholders to review and discuss its proposal.<sup>19</sup> We find that it would be inappropriate to require the formation, functions, and composition of the RCTC to be subject to the approval and procedures of the Advisory Committee because Reliability Service customers do not have representation on the Advisory Committee and, thus, would not have an opportunity to participate in the initial development and approval of their own committee. In addition, we will not require Midwest ISO to follow the specific procedures of its Stakeholder Governance Guide because it has not been reviewed and accepted by the Commission.

39. We find that the Tariff provides sufficient information regarding the functions of the RCTC and we will not require further Tariff revisions. We understand that Midwest ISO may work through the RCTC to develop any associated charters and specific procedures to further clarify the committee's functions, as needed. The proposed Tariff revisions explain the general, advisory functions of the new committee, and they will not supplant or otherwise revise current Advisory Committee functions or the Midwest ISO TO Agreement. Midwest ISO explains that the RCTC will function independently of Midwest ISO's formal stakeholder process and may coordinate with the Advisory Committee's existing Reliability Subcommittee, to the extent necessary and permitted under the Reliability Subcommittee's charter. However, we are concerned that the RCTC may develop Tariff revisions that could potentially affect existing Midwest ISO stakeholders and, as proposed, the RCTC is not required to consult the Advisory Committee regarding such Tariff revisions. We will require Midwest ISO to submit, in its compliance filing, revisions to section 78 to clarify that any Tariff revisions developed by the RCTC will be subject to Advisory Committee review and discussion.

40. In regard to the composition of the RCTC, we will not require Midwest ISO to expand the committee's membership to include all Midwest ISO stakeholders because existing Midwest ISO members do not take service under Module F and, thus, do not have a substantial interest in Reliability Service issues. However, there could potentially be additional entities, such as transmission dependent utilities in the MAPP region, that may desire representation on the committee. We will require Midwest ISO, in its compliance filing, to clarify whether the membership of the RCTC should be expanded to include other entities potentially affected by Reliability Service and, if so, to propose any associated Tariff revisions.

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<sup>19</sup> See *id.* at 25-26; see also Moeller Testimony at 39-40.

41. Finally, we note that “Reliability Coordination Technical Committee” is defined in section 1.266e to be “the technical committee established pursuant to [s]ection 78 of the [t]ariff.”<sup>20</sup> We will require Midwest ISO to submit, in its compliance filing, Tariff revisions to section 1.266e to include in the RCTC’s definition a brief description of its function.<sup>21</sup> In addition, we will require Midwest ISO to submit, in its compliance filing, Tariff revisions to define “[r]eliability [s]ubcommittee,” as mentioned in proposed section 78.9,<sup>22</sup> and to correct a typographical error in proposed section 78.5.d so that “[b]usiness [p]ractice [m]anuals” instead reads “[b]usiness [p]ractices [m]anuals.”<sup>23</sup>

## 2. Seams Service

### a. Midwest ISO Proposal

42. Midwest ISO states that Seams Service<sup>24</sup> makes available to all eligible customers Midwest ISO’s seams coordination services, which are currently provided under individual seams coordination or joint operation agreements, and includes a standardized CMP.<sup>25</sup> In particular, Seams Service establishes protocols for the exchange of real-time data and projected information; allows the parties to coordinate and exchange calculations of total transfer capability (TTC), available transfer capability (ATC) and available flowgate capability (AFC); provides for reciprocal coordination of flowgates

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<sup>20</sup> *Id.*, FERC Electric Tariff, Third Revised Vol. No. 1, Original Sheet No. 118B.

<sup>21</sup> For example, the definitions of “Network Operating Committee” and “Planning Advisory Committee” in sections 1.216 and 1.242a, respectively, each provide descriptions of their committee’s function(s). *See* Midwest ISO, FERC Electric Tariff, Third Revised Vol. No. 1, Second Revised Sheet No. 105 and Fifth Revised Sheet No. 113.

<sup>22</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, Original Sheet No. 850V.

<sup>23</sup> *Id.*, Original Sheet No. 850T.

<sup>24</sup> Midwest ISO and MAPP COR executed the MAPP SOA on January 31, 2004. Seams agreements generally provide a mechanism to manage market-to-non-market interfaces and specify an array of tools the parties can use to manage congestion on a coordinated basis. The initial term of the MAPP SOA ended on February 1, 2008, but Midwest ISO agreed to extend the agreement pending the approval and implementation of Module F.

<sup>25</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, Attachment LL, Original Sheet No. 1950.

through the binding CMP; and provides opportunities for generation redispatch to relieve congestion.

43. To be eligible for Seams Service, a customer must: (1) be a NERC-registered transmission provider providing reciprocal transmission service pursuant to an OATT or other applicable tariff using transmission facilities that are physically connected to Midwest ISO's transmission system; and (2) register as a market participant under the TEMT. Seams Service can be taken as a stand-alone service or in combination with Reliability Service but cannot be taken with Market Service.<sup>26</sup> Further, parties that are signatories to the Midwest ISO TO Agreement may not take Seams Service.

44. Midwest ISO states that the proposed CMP that Midwest ISO will follow to provide Seams Service is identical to the recently standardized CMP the Commission accepted for use in two other Midwest ISO seams agreements.<sup>27</sup> In addition, the terms of Seams Service are taken, in large part, from the existing MAPP SOA, with the exception of certain newly created redispatch provisions. Midwest ISO explains that the additional redispatch provisions were modeled on similar provisions that the Commission accepted as part of Midwest ISO's Redispatch Agreement with East Kentucky Power Cooperative, Inc. (East Kentucky).<sup>28</sup> However, unlike the redispatch provisions of that agreement, the Seams Service redispatch provisions will not be voluntary. Once the parties mutually agree to designate a target flowgate and develop applicable operating procedures, parties under Seams Service must each offer redispatch to help the other party meet its relief obligations on a congested flowgate (subject to certain legal and reliability limitations) if

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<sup>26</sup> A Seams Service customer may not take Market Service (and vice-versa) because each service uses different methods of congestion management. Seams Service relies on TLR procedures for managing flows associated with transactions on the Seams Service customer's system, and on requests by either party to provide redispatch for the other on a case-by-case basis, while Market Service relies on Midwest ISO's Security Constrained Economic Dispatch.

<sup>27</sup> See *Midwest Indep. Transmission Sys. Operator, Inc.*, 121 FERC ¶ 61,202 (2007) (accepting revisions to Congestion Management Process in Midwest ISO's Joint Operating Agreement (JOA) with SPP) and *Midwest Indep. Transmission Sys. Operator, Inc.*, Docket No. ER08-55-000 (Feb. 4, 2008) (unpublished letter order) (accepting revisions to Congestion Management Process in Midwest ISO's JOA with PJM).

<sup>28</sup> See *Midwest Indep. Transmission Sys. Operator, Inc.*, 119 FERC ¶ 61,338 (2007) (East Kentucky Order) (accepting the redispatch agreement between Midwest ISO and East Kentucky).

a party's redispatch price is lower than the other party's cost of relieving the congestion using traditional TLR or other redispatch solutions.<sup>29</sup>

45. Midwest ISO proposes that Seams Service customers sign up for an initial term of three years, after which the customer may renew Seams Service for successive one-year terms and may terminate the service upon one-year notice. A public power entity will be permitted to terminate the agreement with shorter notice if Midwest ISO's Tariff is amended in a way that could cause a conflict with state laws and regulations. Finally, Midwest ISO would recover the costs of administering Seams Service from its market participants under Schedule 17 (Energy Market Administrative Cost Recovery Adder) of its Tariff. A Seams Service customer must also execute an applicable service agreement, as set forth in section 85 and Attachment KK-2 of the proposed Module F and provide certain required information to Midwest ISO.

i. **Tariff Seams Service versus Individualized Seams Agreements**

(a) **Comments**

46. Basin Electric, Corn Belt, WAPA and Minnkota argue that Seams Service is unjust, unreasonable and unduly discriminatory because some entities that are interconnected with Midwest ISO are required to contract for seams management under Midwest ISO's TEMT but others, such as Tennessee Valley Authority (TVA) and Manitoba Hydro, will retain individualized seams agreements. Basin Electric argues that if a potential Seams Service customer wants to manage its seam with Midwest ISO, it has two options: it can either unwillingly accept the Tariff's seams management provisions or it can forego any management of the seam. Basin Electric states that the former is patently unjust and unreasonable, and that the latter is inconsistent with Order No. 2000's requirement that RTOs guarantee the integration of reliability practices within an interconnection and market interface practices within a region. Therefore, Basin Electric argues, the Commission should hold that it is unjust and unreasonable to force a neighboring transmission owner or provider to choose between either managing the seam using Seams Service or not managing the seam. In that regard, Basin Electric urges the Commission to require Midwest ISO to enter into seams agreements with its neighbors, rather than imposing seams management on its neighbors through a tariff.<sup>30</sup> Corn Belt

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<sup>29</sup> Under existing seams agreements, one party can request that the other party provide such redispatch, but the other party is not obligated to meet that request.

<sup>30</sup> Basin Electric Protest at 27-28.

argues that bilateral arrangements between the affected utilities have been in place for years and should be allowed under the new Module F provisions.<sup>31</sup>

(b) **Midwest ISO Answer**

47. Midwest ISO responds that providing Seams Service under its Tariff promotes non-discrimination and makes this service available to all qualified customers without preconditions or negotiations, reducing Midwest ISO's discretion and increasing the Commission's supervision over the agreements. Moreover, Midwest ISO states that using standardized Tariff provisions will ensure that each Seams Service customer receives the same congestion management benefits as do other customers (including those with bilateral seams agreements). Midwest ISO also argues that its proposal will reduce costs by eliminating the need to negotiate and administer multiple individualized seams agreements.

48. In addition, Midwest ISO argues that the existence of individualized seams agreements does not make Seams Service unduly discriminatory. Midwest ISO notes that the MAPP SOA expired early this year, while the Manitoba Hydro and TVA seams agreements are still in effect.<sup>32</sup> Midwest ISO argues that since Manitoba Hydro is based in Canada and is not subject to the Commission's *pro forma* OATT requirements, it needs to have a custom-made agreement. With regard to TVA, Midwest ISO states that the agreement simply precedes the development of its Seams Service proposal and represents a unique three-party agreement that also includes PJM. Midwest ISO states that if TVA cancels its existing agreement for any reason and later expresses an interest in coordinated congestion management, Midwest ISO would expect TVA to apply for Seams Service under the TEMT.

(c) **Commission Determination**

49. We find that the Midwest ISO proposal for offering Seams Service under Module F is just and reasonable, subject to further compliance filings, and we conditionally accept Part II of Module F effective June 1, 2008. We find that the proposal to offer Seams Service under the TEMT would help prevent undue discrimination, since all similarly situated customers will coordinate with Midwest ISO under the same terms and conditions. It will also reduce Midwest ISO's costs by eliminating the need for it to negotiate and administer multiple individualized seams agreements. In addition, history has shown that the coordination between entities continues to evolve and improve (e.g., the CMP has been changed several times as Midwest ISO and its neighbors gained

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<sup>31</sup> Corn Belt Protest at 8.

<sup>32</sup> Midwest ISO Answer at 28.

experience coordinating their systems). By having the standard Seams Service provisions in the Tariff, Midwest ISO can propose changes to improve the coordination by making one filing that applies generally to all Seams Service customers instead of having to propose individual changes to meet the particular terms and conditions of several agreements.

50. Further, we do not find the arguments of some commenters that entities will forgo Seams Service altogether rather than take service under the standard Seams Service provisions convincing. We note that commenters do not identify any part of the Seams Service proposal that they believe would have to be changed based on the specific circumstances of a particular entity, and we believe that standardized Seams Service provisions can apply in most circumstances.

51. Nevertheless, we recognize that there may be a small number of cases where, for instance, reliability concerns, or other factors would call for Midwest ISO to provide Seams Service under an individual seams agreement instead of under the TEMT. For example, Midwest ISO explains that it needs an individualized seams agreement with Manitoba Hydro since that entity is in Canada. The Commission will evaluate the justness and reasonableness of any such individualized seams agreements on a case-by-case basis.

**ii. Expiration of Existing SOA**

**(a) Comments**

52. Similar to concerns raised about the expiration of the bridge agreements and the transition to Reliability Service, several parties are concerned about the expiration of the existing SOA and the transition to Seams Service. Dairyland suggests that the Commission require Midwest ISO to make a new section 205 filing in order to terminate the SOA and that MAPP transmission owners be given reasonable time to evaluate how to proceed in light of the termination of the SOA (and the Reliability Service-related agreements). MidAmerican supports Dairyland's suggestion that the Commission require a section 205 filing in order to end the agreements between Midwest ISO and MAPP.

**(b) Midwest ISO Answer**

53. Midwest ISO states that the MAPP SOA has been extended by a letter agreement to provide a transition period to facilitate the orderly transition to Seams Service. Midwest ISO states that it has every incentive to assist potential customers with the transition to the services proposed under Module F.<sup>33</sup>

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<sup>33</sup> *Id.* at 60.

(c) **Commission Determination**

54. We will accept Midwest ISO's commitment to assist customers with the transition from their existing agreements to Seams Service. Midwest ISO must provide this transition assistance on a non-discriminatory basis to all customers that need to transition from existing individualized seams agreements to Seams Service under the TEMT. We expect Midwest ISO to work with its customers so that there is no gap between when a customer's existing seams agreement expires and the effectiveness of Seams Service for each customer under the TEMT. We will require Midwest ISO to establish, in conjunction with stakeholders, a schedule for moving from existing individualized seams agreements to Seams Service. We require Midwest ISO to specify this schedule in the compliance filing to be submitted within 30 days of the date of this order. Furthermore, customers can raise any concerns about the transition to Seams Service when Midwest ISO makes its filing under section 205 prior to it cancelling or superseding existing seams agreements such as the MAPP SOA.

iii. **Obligation to Redispatch**

(a) **Comments**

55. Basin Electric and WAPA argue that Seams Service is unjust and unreasonable because a Seams Service customer must redispatch generation at the request of Midwest ISO but Midwest ISO does not have to redispatch at the request of a Seams Service customer. They argue that this process results in a one-sided set of redispatch obligations and benefits that are unfairly weighted in Midwest ISO's favor.

56. Basin Electric also argues that section 83.5 could be interpreted as requiring any Seams Service customer to request Midwest ISO to redispatch generation to alleviate constraints that affect TLR assignments to any customer taking service on the Seams Service customer's system.<sup>34</sup> Basin Electric is concerned about this obligation in

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<sup>34</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, section 83.5, Original Sheet No. 850Z.27:

In addition to the redispatch procedures set forth in this section for the redispatch of the [Seams Service customer's] generation, the [Seams Service customer] may request a shadow price that represents an estimate of the redispatch cost of the [t]ransmission [p]rovider's generating resources to mitigate the [Seams Service customer's] assigned TLR requirements. If the [Seams Service customer] requests the [t]ransmission [p]rovider to perform a [m]annual [r]edispatch of the [t]ransmission [p]rovider's resources, the [Seams

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instances where the Seams Service customer is not a vertically integrated utility that serves all of the Seams Service customer's system.<sup>35</sup> In those cases, Basin Electric believes that a Seams Service customer will have to request redispatch for all transactions on that Seams Service customer's system, even those transactions associated with an entity on the Seams Service customer's system that does not have an obligation to provide redispatch for the Seams Service customer or for Midwest ISO. Basin Electric argues this is unjust and unreasonable because it would impose a greater redispatch requirement on the transmission provider than the Commission's pro forma OATT requires. Furthermore, Basin Electric argues that it is also unjust and unreasonable to provide transmission customers the benefits of regional dispatch without imposing on them any reciprocal obligation to redispatch their generation to mitigate congestion imposed on the Seams Service customer or Midwest ISO. Therefore, Basin Electric argues that section 83.5 should be revised to clarify that the Seams Service customer is not obligated to request and pay for redispatch to avoid curtailments of third party transmission customers' schedules.

57. In addition, Basin Electric asks the Commission to require Midwest ISO to revise this section to provide that any load serving entity that agrees to redispatch its generation to mitigate TLR assignments on Midwest ISO's system on request may require Midwest ISO to redispatch its generation to mitigate the load serving entity's TLR assignments, and that the load serving entity must pay the cost to the Midwest ISO generators associated with that redispatch. Doing so would eliminate the undue preference that customers on the Seams Service customer's system would otherwise receive.

58. IPL expresses concern regarding the generator redispatch provisions under Seams Service. IPL states that these provisions allow a Seams Service customer to avoid the curtailment of sales due to TLR calls. IPL requests that Midwest ISO sellers receive comparable treatment, and urges the Commission to ensure that this arrangement will not create seams concerns within MAPP, since those not taking Seams Service will be on the far side of a new "seam."<sup>36</sup>

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Service customer] shall pay the [t]ransmission [p]rovider for and on behalf of the Midwest ISO [m]arket [p]articipants in an amount equal [to] the [m]annual [r]edispatch [e]nergy volume multiplied by such shadow price.

<sup>35</sup> Basin Electric cites the WAPA system as an example, which includes transmission facilities owned by WAPA, Basin Electric and Heartland.

<sup>36</sup> IPL Comments at 9.

(b) **Midwest ISO Answer**

59. Midwest ISO clarifies, without conceding that the failure to have a mutual obligation to redispatch Midwest ISO generation renders Seams Service unjust and unreasonable, that it intended section 83.5 of the TEMT to create a mutual obligation to redispatch. Midwest ISO states that it will revise section 83.5 in a compliance filing to more clearly state that Midwest ISO will, at the Seams Service customer's request, execute the necessary steps to redispatch Midwest ISO resources to resolve congestion on previously designated flowgates.

60. Midwest ISO further clarifies that the reciprocal commitment to redispatch Midwest ISO resources under section 83.5 will be available only to customers capable of providing reciprocal redispatch to Midwest ISO. For other customers, the responsibility will be limited to facilitating the redispatch by providing the transmission service and by cooperating in the process to identify problematic flowgates and resources that can be used in order to mitigate congestion. Furthermore, Midwest ISO states that, in these cases, it will need to have separate agreements with the generators in order to replicate the proposed section 83 and that it will submit the agreements to the Commission for prior approval. Additionally, Midwest ISO clarifies that, under section 83.5, if a Seams Service customer is required to supply relief on a flowgate and that flowgate is one previously recognized by the parties as eligible for redispatch under section 83.5, the Seams Service customer can request Midwest ISO to provide the shadow price reflecting current conditions in the Midwest ISO market, and compare that price to its own system costs to redispatch its own generation or to curtail transactions on its system.<sup>37</sup>

61. Midwest ISO also rejects Basin Electric's allegation that a Seams Service customer will be required to seek redispatch for third-party transmission schedules since neither party is required to request redispatch. It explains that Seams Service is designed to be an option for each party to evaluate in assessing the least-cost method of relieving TLR curtailment obligations. Regardless of comparative costs, however, Midwest ISO reiterates that the Seams Service customer is never obligated to request redispatch.

(c) **Commission Determination**

62. We agree that Midwest ISO must redispatch resources on its system to the same extent that a Seams Service customer is required to do so for Midwest ISO. Therefore, we direct Midwest ISO to revise section 83.5 (and all other relevant sections in Module F) to clarify that the obligation to redispatch resources under certain circumstances to resolve congestion on previously designated flowgates applies equally to Midwest ISO

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<sup>37</sup> Midwest ISO Answer at 32.

and the Seams Service customer. Midwest ISO must include these revisions in the compliance filing due within 30 days of the date of this order.

63. We also find that Midwest ISO's clarification that a Seams Service customer does not have an obligation to request redispatch sufficiently addresses Basin Electric's concern about being required to request redispatch. In addition, we agree with Midwest ISO that Seams Service should not include an obligation to provide redispatch to transmission providers who can not provide reciprocal redispatch. In contrast, IPL appears to be concerned that a Seams Service customer will not be obligated to request redispatch to alleviate constraints associated with transactions of a Seams Service customer competitor. However, a Seams Service customer should not be obligated to request redispatch from Midwest ISO for third-parties that do not have a redispatch obligation vis-à-vis Midwest ISO (or the Seams Service customer). Such entities should pursue, and Midwest ISO states that it is open to negotiating, bilateral redispatch agreements that include a reciprocal redispatch obligation for those entities wanting that service.<sup>38</sup>

64. Finally, IPL does not explain its request that the Commission ensure that Seams Service not create seams concerns within MAPP. Among other things, Seams Service will alleviate through coordinated redispatch constraints that might otherwise require TLRs. IPL's unidentified potential seams concerns are speculative since we have no knowledge of, nor does IPL identify, a MAPP member currently under the existing SOA that will not transition to Seams Service if it elects to remain outside of the Midwest ISO markets.

**iv. Constraints on Flowgates Not Identified In Advance**

**(a) Comments**

65. Basin Electric argues that section 83.3.1, which provides for Midwest ISO and the Seams Service customer to develop operational procedures for each flowgate, is unjust and unreasonable because it does not provide for procedures of sufficient flexibility to allow reaction to unanticipated constraints. Basin Electric notes that in many cases, the constraint for which redispatch could alleviate assigned TLR impacts will not be a

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<sup>38</sup> For example, in response to Basin Electric's concern, Midwest ISO clarified that a Seams Service customer will not have to request redispatch for transactions associated with an entity that owns transmission and generation within the Seams Service customer's system but where service over that entity's system is not covered by the Seams Service customer's individual OATT (and when that entity is not obligated to provide redispatch to the Seams Service customer or to Midwest ISO).

flowgate that the parties have identified in advance. Therefore, Basin Electric believes there should be as much advance coordination of redispatch procedures as possible so that redispatch may be implemented upon request with minimal delay, with the redispatch price being essentially the only unknown factor at the time a redispatch request is made. Basin Electric requests that the Commission require Midwest ISO to provide for the development of operating procedures that allow for the use of redispatch to address real-time transmission operating constraints that have not been identified in advance.

(b) **Midwest ISO Answer**

66. Midwest ISO argues that Basin Electric's request to require Midwest ISO to develop operating procedures for real-time operating constraints that have not been identified in advance should be rejected. Midwest ISO argues that the cost of redispatch is the most important consideration in whether an entity will request redispatch from another entity and therefore it does not support the idea of allowing a party to request redispatch before knowing the associated cost. Midwest ISO explains that it must know the cost of redispatch well in advance in order to redispatch effectively and, if such cost is left to a real-time determination of cost, it would cause undue delay in congestion management.<sup>39</sup> Furthermore, Midwest ISO clarifies that it will not call upon another entity to redispatch resources merely to avoid curtailments; it will only request redispatch from another entity when it is clearly economically superior to redispatching Midwest ISO resources.

67. Midwest ISO adds that expanding Seams Service, as Basin Electric suggests, goes beyond seams coordination and resembles the Security Constrained Economic Dispatch (SCED) of Midwest ISO's real-time energy market, which involves the identification of real-time constraints not known in advance and determination of the truly economically superior redispatch solution. Midwest ISO states that Seams Service requires that only flowgates designated by mutual consent in advance should be subject to the redispatch provisions of Seams Service so that relief can be provided quickly and efficiently.<sup>40</sup>

(c) **Commission Determination**

68. We find that it is appropriate that Midwest ISO and Seams Service customers are obligated to provide redispatch to address constraints on flowgates that have been identified in advance by mutual agreement. Similarly, each party needs to know the costs related to a possible redispatch solution available from the other party in order to

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<sup>39</sup> *Id.* at 33.

<sup>40</sup> *Id.* at 35.

determine if it is a lower-cost alternative to redispatching its own system. Seams Service provides another tool for entities to use to more efficiently address congestion on their systems; it is not meant and cannot be expected to replicate the congestion management that occurs as part of Midwest ISO's real-time energy market. We note that the superior congestion management that comes with being part of a real-time energy market is part of the Market Service proposal that we discuss below, and this real-time congestion management would also be available to Basin Electric if it signed the Midwest ISO TO Agreement and became a member of Midwest ISO.

**v. Redispatch Agent**

**(a) Comments**

69. Basin Electric believes that section 83.3.4, which provides for Midwest ISO to verify the availability and deliverability of replacement power from the market into the Seams Service customer's system if such power is necessary for the Seams Service customer to meet a Midwest ISO request for redispatch, is unjust and unreasonable because it does not provide for Midwest ISO to act in this same capacity for redispatch implemented at the request of the Seams Service customer. Basin Electric notes that the Seams Service customer is unable to determine the availability or deliverability of replacement power from either the market to itself or from itself to the market, and, as a result, the section should be revised to clarify that Midwest ISO will act as the redispatch agent for redispatch performed on behalf of either Midwest ISO or the Seams Service customer.

**(b) Midwest ISO Answer**

70. Midwest ISO asks the Commission to reject Basin Electric's request to require Midwest ISO to perform Tariff administration, tagging and scheduling functions for the Seams Service customer (i.e., to act as a redispatch agent for the Seams Service customer). Midwest ISO states that the provision in section 83.3.4 to which Basin Electric refers is intended to protect the Seams Service customer by assuring that, in those redispatch scenarios involving the need for replacement power from the Midwest ISO market, Midwest ISO has the ability to deliver the requested power to the point of interconnection with the Seams Service customer. Only transmission providers are eligible to be Seams Service customers, and those entities should be fully aware of the necessary ATC on their systems and the steps to be followed to complete the transaction (which will have been previously agreed to in written operating procedures). Midwest ISO argues that there is no magic in having it perform the Tariff administration, tagging and scheduling functions for the Seams Service customer, and thus Basin Electric's suggestion should be rejected.

(c) **Commission Determination**

71. We find that Midwest ISO does not need to act as the redispatch agent for Seams Service customers. As explained by Midwest ISO, the intent of section 83.3.4. is only that Midwest ISO will have to verify that there is sufficient availability and deliverability of replacement power from the Midwest ISO system to the Seams Service customer's system before a request for Midwest ISO to redispatch and to provide replacement power to the Seams Service customer can take effect.<sup>41</sup> Basin Electric has not explained why it believes a Seams Service customer will not be able to determine the availability and deliverability of replacement power on its own system. A Seams Service customer will continue to administer its own OATT and it is appropriate for that customer to determine itself whether the conditions on its own system would allow a request for Midwest ISO to redispatch to be successfully implemented.

vi. **Calculating Redispatch Costs**

(a) **Comments**

72. Ameren argues that section 83.4.3 does not show how Midwest ISO will calculate the least-cost option for redispatch and measure the associated cost.<sup>42</sup> Ameren notes that Midwest ISO will reimburse Seams Service customers for any start-up and minimum generation output charges caused by a Midwest ISO requested redispatch. Further, Ameren states that Seams Service customers are excluded from paying any revenue

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<sup>41</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, section 83.3.4, Original Sheet No. 850Z.19, states:

The [Seams Service customer] will not implement a redispatch request under this [s]ection 83.3, unless and until the [t]ransmission [p]rovider verifies the availability and deliverability into the [Seams Service customer's] system of replacement power from the [e]nergy and [o]perating [r]eserve [m]arkets, if such power is required by the [Seams Service customer]. If the [t]ransmission [p]rovider and the [Seams Service customer] do not concur on the availability and deliverability of replacement power, and that the purchase of such power as described in [s]ection 83.4 of this Tariff can be completed without creating adverse conditions elsewhere on the systems of either party, the [Seams Service customer] will not implement the redispatch request.

<sup>42</sup> Ameren Protest at 12.

sufficiency guarantee (RSG) charges that may result from redispatch of Midwest ISO resources to address a binding constraint that impacts both Midwest ISO and the Seams Service customer. Ameren argues that these conditions on compensation affect the cost to Midwest ISO Transmission Owners when Midwest ISO redispatches a Seams Service customer's resource and the conditions must be taken into account by Midwest ISO to ensure that the redispatch is made in a truly cost-effective or least-cost manner. Ameren argues that Midwest ISO should therefore have to document the economic basis for each redispatch event, including the reason for the redispatch and the calculation of the cost of available alternatives.<sup>43</sup>

73. In addition, Ameren states that the calculation of the change in total system cost is a key component in determining redispatch payments between Midwest ISO and a Seams Service customer. However, Ameren argues that the language in section 1.31(a) (Change in Total System Cost) is unclear and that the Commission should require that Midwest ISO clarify: (1) whether calculation of the change in total system cost determines the impact on the combined Midwest ISO and Seams Service customer resources, solely the impact on the Seams Service customer resources, or solely the impact on Midwest ISO resources; and (2) how the term “[t]otal [s]ystem [c]ost” is defined.<sup>44</sup>

74. Basin Electric argues that section 83.6, which establishes the basis on which Midwest ISO allocates the cost of redispatch, is incomplete because the description of the load ratio share calculation that is used to allocate costs does not specify the numerator that is used to calculate each market participant's load ratio share. Basin Electric states that Midwest ISO agrees that this section should be revised.<sup>45</sup>

75. Basin Electric requests that Midwest ISO modify sections 83.4.1 and 83.4.2 to provide for how transmission service is to be arranged when the Seams Service customer is required to purchase from or sell to the Midwest ISO market as necessary to implement redispatch. Specifically, Basin Electric states that the Commission should require Midwest ISO to specify whether it intends to arrange for point-to-point transmission service for redispatch on an “after-the-fact” basis when it exports energy to the Seams Service customer as a result of redispatch, or whether it will address transmission in another way, and whether the Seams Service customers will be required to modify their tariffs to provide for the “after-the-fact” service on their systems in order to export

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<sup>43</sup> *Id.* at 13.

<sup>44</sup> *Id.* at 14.

<sup>45</sup> Basin Electric Protest at 51.

redispatch energy to Midwest ISO. Basin Electric states that Midwest ISO agrees that this section should be clarified.<sup>46</sup>

(b) **Midwest ISO Answer**

76. Midwest ISO states that, to some extent, Ameren's concerns may be allayed by a more careful reading of the pricing provisions of section 83.4. Midwest ISO notes that Ameren incorrectly states that a Seams Service customer will not pay RSG charges. Midwest ISO states that while Ameren referred to section 83.4.3, that section does not include RSG charges because it applies only when the Seams Service customer does not need to purchase energy from the Midwest ISO market, and thus when RSG charges would be inappropriate. Midwest ISO also notes that the TEMT states that RSG charges will not apply *if the Seams Service customer adheres to the operating procedures agreed to by the parties*. Thus, RSG could apply in some cases. In any event, any purchase a Seams Service customer makes under the Seams Service provisions are for those redispatch cases in which the Seams Service customer must replace energy on its own system that it needs as a result of redispatching its system at Midwest ISO's request. It says that there is no point in charging the Seams Service customer RSG charges in these cases because Midwest ISO repays the Seams Service customer for these purchases (and would just pay the Seams Service customer for any RSG charges it had to pay).

77. Midwest ISO responds to Ameren's broader point regarding the use of redispatch as a least cost tool by noting that this remedy is an extraordinary one intended to be used only in extreme circumstances. It is not clear to Midwest ISO why Ameren or any other Midwest ISO market participant would question the use of this tool. Midwest ISO has no financial stake in the dispatch of units, and the SCED engine continues to move generators until the congestion is resolved, regardless of cost to Ameren and others. Midwest ISO states that it took the initiative to develop this alternative precisely to save its market participants from such high congestion costs. Nonetheless, Midwest ISO proposes to address Ameren's concerns the same way the Commission allowed it to address similar concerns raised by Duke in the proceeding where the Commission conditionally accepted the Redispatch Agreement between Midwest ISO and East Kentucky.<sup>47</sup>

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<sup>46</sup> *Id.*

<sup>47</sup> *Citing East Kentucky, 119 FERC ¶ 61,338 at P 12:*

The Midwest ISO offers to address Duke's concerns by posting, at the time a redispatch event occurs, a general notice of the flowgate involved, the time of the event, the relief provided in megawatts, and the amount of energy, if any,

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78. In response to Ameren's question about the term "[c]hange in [t]otal [s]ystem [c]ost," Midwest ISO states that the term is used only in relation to the resources of the Seams Service customer.

**(c) Commission Determination**

79. We find that the compensation provisions of Seams Service are just and reasonable. The compensation is designed to make a Seams Service customer whole when it redispatches its system at Midwest ISO's request. Midwest ISO modeled these provisions on the redispatch procedures that the Commission conditionally approved in the East Kentucky Order. We also agree with Midwest ISO that it is unnecessary to charge a Seams Service customer for RSG charges when the Seams Service customer purchases energy from Midwest ISO as a result of a request by Midwest ISO to the Seams Service customer to redispatch and the Seams Service customer adheres to the operating procedures agreed to by the parties. If Midwest ISO were to assess RSG charges to a Seams Service customer in those cases, Midwest ISO would then have to reimburse the Seams Service customer for those charges as part of the redispatch settlement process. We find, however, that the TEMT does not explain the charges (including any RSG charges) Midwest ISO will assess to the Seams Service customer when Midwest ISO redispatches at the Seams Service customer's request. Consistent with our finding above that Midwest ISO must revise the TEMT to make explicit Midwest ISO's obligation to redispatch its system for the benefit of the Seams Service customer, Midwest ISO must also revise the TEMT to outline any RSG charges that a Seams Service customer may be responsible for paying as part of Midwest ISO's redispatch costs. Midwest ISO must include these revisions in the compliance filing due within 30 days of the date of this order.

80. In addition, consistent with the Commission's finding in the East Kentucky Order, and to provide Ameren assurance that Midwest ISO will request a Seams Service customer to redispatch only if it is the least-cost alternative, we require Midwest ISO to

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flowing into or out of the Midwest ISO energy market as a result of the relief provided by East Kentucky during the event. In addition, the Midwest ISO offers to post on an annual basis, to coincide with the effective date of the Redispatch Agreement, a report aggregating the redispatch events, the amount paid for redispatch service during the year, and the estimated costs avoided by using the redispatch service.

meet the same posting requirements the Commission accepted in the East Kentucky Order as a condition of our acceptance of Midwest ISO's Seams Service proposal.<sup>48</sup>

81. We accept Midwest ISO's clarification that the term "[c]hange in [t]otal [s]ystem [c]ost" applies solely to a Seams Service customer's resources. In addition, we find that the proposed definition of that term in the TEMT provides the needed detail.<sup>49</sup> However, consistent with the requirement we discuss above for the redispatch obligations to apply equally to Seams Service customers and Midwest ISO, we direct Midwest ISO to revise Module F to outline the compensation provisions that will apply when Midwest ISO redispatches its system at the request of a Seams Service customer, including charges for any necessary transmission service, and to include those revisions in the compliance filing due within 30 days of the date of this order.

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<sup>48</sup> *Id.* P 15:

We agree with the Midwest ISO that it cannot post the costs and savings associated with each redispatch transaction under the Redispatch Agreement due to the commercial sensitivity of such information. We find the Midwest ISO's proposal to post non-commercially sensitive information each time the Redispatch Agreement is called upon, and on an annual aggregate basis, to be a reasonable accommodation of Duke Energy's concerns. If such information is based on market settlement data that is subject to dispute resolution, the Midwest ISO should so indicate in the posting. This data will inform the Midwest ISO's customers of the Redispatch Agreement's effectiveness and its impact on rates, without releasing information that could competitively harm EKPC or other market participants. Therefore, we will require the Midwest ISO to post this data as a condition of our acceptance of the Redispatch Agreement.

<sup>49</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, section 1.31(a), Original Sheet No. 54B defines "[c]hange in [t]otal [s]ystem [c]ost" as:

The net change in variable operational costs, which include fuel, variable O&M, variable environmental costs, and other variable costs as mutually agreed upon by the [t]ransmission [p]rovider and the [m]arket [p]articipant, measured in dollars as a result of changing the output of one or more units in response to a redispatch request from the [t]ransmission [p]rovider.

82. In addition, Basin Electric states that Midwest ISO agrees that it needs to specify the numerator it will use to calculate the load ratio share outlined in section 83.6, but Midwest ISO did not state in its answer what changes it agreed to make. Therefore, we also direct Midwest ISO to include the agreed upon change in the compliance filing due within 30 days of the date of this order.

**vii. Clarifying Edits That Midwest ISO Has Agreed To Make**

**(a) Comments**

83. Basin Electric states that sections 83.1 and 83.2(i) indicate that a Seams Service customer will be obligated to redispatch only generation the Seams Service customer controls to relieve constraints but that section 83.2(ii) provides for identification of all generation on the Seams Service customer's system that could relieve constraints, regardless of whether the Seams Service customer controls that generation. Basin Electric requests that Midwest ISO make two modifications to eliminate the inconsistency: the Seams Service customer should be required to identify and redispatch only generation it has the right to redispatch; and the Seams Service customer should attempt to facilitate the redispatch of any generators located on its system that it does not have the right to redispatch, in order to alleviate constraints. Basin Electric states that Midwest ISO has agreed with this recommendation.<sup>50</sup>

84. Basin Electric requests other specific clarifying edits to particular sections within sections 82 and 83. Basin Electric believes that sections 82.1, 83.1, 83.3 and 83.3.2 should be modified to provide consistent references to the flowgates that are to be considered in the context of Seams Service. Basin Electric argues that these Tariff sections should cover only flowgates with a significant impact on the market or the Seams Service customer and those upon which Midwest ISO and the Seams Service customer agree concerning the availability of redispatch. Basin Electric states that Midwest ISO has agreed with this proposed change.<sup>51</sup>

85. In addition, Basin Electric requests two language edits to section 83.2: first, Basin Electric proposes to replace "such additional" with "the" both times the words appear in the second sentence of the section in order to clarify that all constraints and units should be identified in the service agreement; and second, for consistency, Basin Electric proposes to modify the section to reference the service agreement in Attachment KK-2, as is done with other references to service agreements in Module F. Basin Electric also

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<sup>50</sup> Basin Electric Protest at 48.

<sup>51</sup> *Id.*

requests a language edit to the first sentence of section 83.3.5 in which Basin Electric states that the phrase “initiating a redispatch request...” should be replaced with “implementing redispatch in response to a redispatch request.” Basin Electric states that Midwest ISO has agreed with these proposed changes.<sup>52</sup>

86. Basin Electric proposes modifications to sections 83.2 and 83.3.1 to require that operating procedures specify limitations on generator operations for redispatch, such as ramp rates, minimum run times and minimum “off” times, in order to help reduce the time necessary to obtain redispatch. In addition, Basin Electric notes that section 83.3.5 should also be revised to require that only changes to those limitations be provided in response to redispatch requests. Basin Electric states that Midwest ISO has agreed with these proposed changes.<sup>53</sup>

87. Basin Electric argues that section 83.3.3, which requires redispatch subject to certain limitations, and section 83.3.4, which provides additional limitations on the obligation to redispatch, could create confusion. Basin Electric suggests that the limitations should either be contained in the same section or section 83.3.4 should be cross-referenced in section 83.3.3. Basin Electric states that Midwest ISO has agreed with this proposed change.<sup>54</sup>

**(b) Midwest ISO Answer**

88. Midwest ISO agrees with Basin Electric that section 83 cannot require a Seams Service customer to redispatch generation if it does not have control over a generation facility. As a consequence, Midwest ISO proposes to revise section 83 to clarify that the responsibility to redispatch affects “only to the extent that the Seams [S]ervice customer owns, or has contractual rights to control the output of, generation that can be used to meet this obligation.”<sup>55</sup>

89. In addition, Midwest ISO states that a number of commenters have proposed various editorial revisions to Module F and related Tariff sheets to which Midwest ISO does not object but does not list the specific changes it has agreed to make.

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<sup>52</sup> *Id.* at 49-50.

<sup>53</sup> *Id.* at 49.

<sup>54</sup> *Id.*

<sup>55</sup> Midwest ISO Answer at 32.

**(c) Commission Determination**

90. We will require Midwest ISO to identify, in the compliance filing due within 30 days of the date of this order, the specific clarifying and editorial changes it is agreeing to make in response to the commenters' concerns. We will address those changes as part of the proceeding on the compliance filing.

**viii. North Dakota Export Flowgates**

91. The North Dakota Export flowgate (NDEX) is a stability limit flowgate consisting of several AC transmission lines owned by various entities.<sup>56</sup> Pursuant to section 82.5 of the Seams Service proposal, Midwest ISO and the Seams Service customer will manage congestion on the NDEX flowgate consistently with existing agreements among the owners of such privileges, rather than as a Reciprocal Coordinated Flowgate (RCF) under Attachment LL of the Tariff.<sup>57</sup>

**(a) Comments**

92. Midwest ISO TOs argue that Midwest ISO's proposal of an exception with respect to NDEX is unreasonable and suggest that the Commission reject the proposal and direct Midwest ISO to delete the language in proposed sections 82.5 and 90.2.2<sup>58</sup> related to the

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<sup>56</sup> The transfer rights on this flowgate are divided among two tariff groups in the Midwest ISO and MAPP regions. Midwest ISO Tariff participants are Minnesota Power, Great River, Montana-Dakota Utilities Company, Otter Tail Power Company, and Xcel while MAPP tariff participants are Minnkota, NorthWestern Energy, WAPA, Basin Electric, and Heartland.

<sup>57</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, section 82.5, Original Sheet No. 850Z.16.

<sup>58</sup> Proposed section 90.2.2 pertains to Market Service and addresses how a Market Service customer's rights over NDEX will be treated for the purpose of coordinating that flowgate with Seams Service customers:

If a [Market Service customer] holds rights, other than transmission tariff service entitlements, to transmission capacity across the [NDEX], as established and documented through FERC-filed documents, or through existing contracts, operating agreements, and operating guides that are specified in the Service Agreement executed by the [t]ransmission [p]rovider and the [Market Service customer] pursuant to [s]ection 96 of the Tariff, the [t]ransmission [p]rovider will

(continued)

NDEX exception.<sup>59</sup> Midwest ISO TOs argue that NDEX should be subject to the same Seams Service process as other interfaces under the Western Markets proposal and be treated as a RCF subject to economic redispatch under Attachment LL of Midwest ISO's TEMT.<sup>60</sup> In addition, Midwest ISO TOs note that although NDEX has been a strongly debated issue among Midwest ISO and non-Midwest ISO Transmission Owners for years, Midwest ISO provides no explanation for why it unilaterally proposes to exclude NDEX from its proposal.<sup>61</sup>

93. Furthermore, Midwest ISO TOs state that although they would not oppose the continuation of historical allocations across NDEX as an interim measure, Midwest ISO must provide for some end to these historic allocations.<sup>62</sup> Midwest ISO TOs do not believe that it is practical to continue historic allocations over the long term as the transmission system is not static and over time, as the transmission system evolves with new transmission lines being placed into service, interfaces may need to be redefined and interface capability may need to be reallocated between Midwest ISO Transmission Owners and other transmission owners.<sup>63</sup>

94. Xcel argues that Midwest ISO's proposed treatment of NDEX, as provided in section 90.2.2, is unclear since the Tariff makes specific references to the NDEX limit even though the NDEX limit "has a nomographic or 'trade-off' relationship with the Manitoba-Hydro Export Flowgate [(MHEX)] limit; that is, a strict carve-out of NDEX may come at the expense of existing Midwest ISO market participants and their share of

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implement SCED on the NDEX flowgate consistent with existing agreements among the holders of such rights, rather than as an RCF under Attachment LL.

Section 90.2.2 also addresses the allocation of NDEX flowgate capacity between Midwest ISO and the Market Service customer for the purpose of evaluating requests for transmission service under their respective tariffs. *See id.*, Original Sheet Nos. 850Z.40-41.

<sup>59</sup> Midwest ISO TOs Comments at 14.

<sup>60</sup> *Id.* at 3.

<sup>61</sup> *Id.* at 11-12.

<sup>62</sup> *Id.* at 14.

<sup>63</sup> *Id.*

rights on the MHEX interface.”<sup>64</sup> Xcel seeks clarification that this proposed language does not erode existing rights held by market participants within Midwest ISO on the MHEX interface. Additionally, Xcel believes that it is unclear whether rights to available NDEX capacity would be allocated *pro rata* between the Market Service customers and Midwest ISO customer users or whether they would occur on some other basis.<sup>65</sup>

95. Xcel and Manitoba Hydro believe that the special treatment of NDEX should be limited to three years. Xcel argues that maintaining the unique treatment of NDEX even on an interim basis limits the potential benefit that can be realized by incorporating WAPA into the Midwest ISO market. Xcel adds that a permanent allocation is also inappropriate because, as transmission investment occurs and the transmission system evolves over time, flowgates may need to be redefined and transmission allocations on flowgates would need to be reallocated.<sup>66</sup> Minnkota disagrees with Xcel that the carve-out status of NDEX should be eliminated in three years.<sup>67</sup>

96. Basin Electric, WAPA, Manitoba Hydro and Minnkota argue that the terms and conditions of service with respect to the NDEX are unjust, unreasonable and inconsistent with the Market Service proposal.<sup>68</sup> Specifically, Basin Electric argues that section 82.5, which addresses the treatment of NDEX with respect to entities that take Seams Service, is unjust and unreasonable because it does not contain the correct definition of “rights” to NDEX to which Midwest ISO agreed with respect to section 90.2.2 in Part III of Module F. As a result, Basin Electric asserts that the section 82.5 language does not distinguish between the rights of a transmission provider and rights of a transmission customer to NDEX. In addition, Basin Electric notes that section 82.5 neither specifies that the rights to NDEX may be established pursuant to FERC-filed documents, contracts, operating guides and service agreements nor requires the owners of these rights to respect each others’ entitlements to the NDEX capacity when evaluating and granting transmission service under their tariffs. Basin Electric also argues that section 82.5 does not require the Seams Service customers to make their unused NDEX rights available to others pursuant to their OATTs. However, Basin Electric notes that section 90.2.2, which contains the NDEX provisions that apply to Market Service customers, contains all of

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<sup>64</sup> Xcel Comments at 10.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.* at 11.

<sup>67</sup> Minnkota Answer at 5.

<sup>68</sup> Basin Electric Comments at 42.

these provisions. Basin Electric requests that the Commission require Midwest ISO to revise section 82.5 to incorporate these provisions from section 90.2.2.

97. Furthermore, Basin Electric, WAPA and Minnkota argue that the final sentence of section 90.2.2, which requires Midwest ISO and Market Service customers to honor each others' rights on NDEX only when evaluating requests for long-term transmission service, is unjust and unreasonable. According to Basin Electric, the agreements pursuant to which rights in NDEX are established do not apply only to long-term service. Moreover, Basin Electric believes that if a rights holder on NDEX were to grant short-term firm service on NDEX with respect to rights that belong to another rights holder, NDEX could be oversubscribed or the other rights holder's ability to grant long-term service could be adversely affected when the short-term service becomes non-conditional.<sup>69</sup> Basin Electric states that there is no reason for rights holders to be able to grant requests for short-term transmission service on NDEX that exceed their rights to NDEX. It asserts that the Commission should require Midwest ISO to delete the words "long term" from the final sentence of this section so that the ability of rights holders' to offer transmission service on their shares of NDEX is preserved. Basin Electric believes that the only exception to the requirement to not provide service on another party's portion of NDEX should be for the use of MITS in connection with SCED within the combined system. Basin Electric asserts that, in that instance, the party whose facilities are used should be compensated under its tariff for the transmission of the energy to the market participant.<sup>70</sup>

98. Manitoba Hydro argues that Part III of Module F does not make clear whether congestion over the transmission facilities of Market Service customers will be managed by Midwest ISO in the same manner as congestion over the facilities of Midwest ISO Transmission Owners pursuant to the provisions of various congestion management agreements in place between Midwest ISO and contracting parties, such as the Manitoba Hydro SOA.<sup>71</sup> Also, Manitoba Hydro argues that the reference to Attachment LL in section 90.2.2 appears to be in error. Manitoba Hydro suggests that if Market Service customers are to be treated in the same manner as Midwest ISO Transmission Owners for the purposes of Midwest ISO's existing congestion management agreements, then section 90.2.2 should reference such agreements, as it is these agreements that would specify the treatment of RCFs for Market Service customers. Also, Manitoba Hydro argues that if a "carve-out" for NDEX is to be continued, then certain limitations should be imposed to

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<sup>69</sup> *Id.* at 44.

<sup>70</sup> *Id.*

<sup>71</sup> Manitoba Hydro Comments at 7.

preserve Manitoba Hydro's Settlement Agreement with MAPP entities.<sup>72</sup> Furthermore, Manitoba Hydro believes that, given the controversy surrounding NDEX, the proposed treatment of NDEX may be seen as a reasonable compromise to attract potential Market Service customers who may in time realize the significant benefits resulting from market coordination with Midwest ISO, provided that certain limitations are imposed.

99. Manitoba Hydro also argues that the exception in section 90.2.2 should be made conditional upon the current definition of the NDEX flowgate, which nets out Manitoba Hydro flows, preserving Manitoba Hydro's existing seams arrangements with MAPP entities through the Settlement Agreement. Moreover, Manitoba Hydro believes that since the wording of section 90.2.2 indicates that the basis for the exception is presumably the terms and conditions of existing FERC-filed documents, operating agreements, contracts and operating guides, section 90.2.2 should also be made subject to the condition that no substantive changes will be made to such documents, contracts, operating agreements and operating guides. Manitoba Hydro adds that although section 90.2.2 provides that such FERC-filed documents, existing contracts, operating agreements and operating guides are to be "specified in the Service Agreement executed by the [t]ransmission [p]rovider and the [m]arket [s]ervice customer pursuant to section 96 of the Tariff ...," the form of Service Agreement for Market Service in Attachment KK-3 does not contain any provisions embodying such a requirement. Manitoba Hydro suggests that Attachment KK-3 should be revised to require an entity claiming transmission capacity under section 90.2.2 to provide supporting documentation. Additionally, Manitoba Hydro requests that the carve-out for congestion management across NDEX should not apply where facilities are operating outside of operating parameters such as generators operating at specific ratings. Finally, Manitoba Hydro believes that the carve-out in section 90.2.2 should last only for a period of three years in order to allow Market Service customers a reasonable transition time, while preventing the non-standard treatment of NDEX from continuing indefinitely.

100. Manitoba Hydro states that it is not clear how the treatment of NDEX as proposed by Midwest ISO in section 90.2.2 can be implemented because the generation back-down procedures contained in the operating guides developed under the operating agreements for NDEX do not comport with the method used by the SCED for managing congestion on transmission facilities. Also, Manitoba Hydro requests that Midwest ISO revise section 90.2.2 in order to: (1) substitute the reference to Attachment LL with reference to the "existing congestion management agreements to which the [t]ransmission [p]rovider is a party;" and (2) condition the non-standard treatment of NDEX upon (a) the definition of NDEX in effect as of the date that Module F is accepted by the Commission; (b) no

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<sup>72</sup> *Id.* at 11. The Settlement Agreement referenced by Manitoba Hydro can be found in *Midwest Indep. Transmission Sys. Operator, Inc.*, 119 FERC ¶ 61,140 (2007).

substantive changes being made to the FERC-filed documents, contracts, operating agreements and operating guides establishing the Market Service customer's rights across NDEX; (c) operation of Market Service customer's facilities within the parameters of applicable NDEX operating guides; and (d) a three-year limitation period, beginning on the effective date of Module F.

(b) **Midwest ISO Answer**

101. Midwest ISO explains that it is willing to explore longer term solutions in regards to managing congestion on the NDEX, but it urges the Commission to approve the current proposal since the treatment of NDEX was a negotiated term agreed to by Midwest ISO in the original SOA in 2005 and again in the development of Module F.<sup>73</sup> Also, Midwest ISO suggests that some of the issues raised by protestors are premature and that if such issues arise, they will be subject to Midwest ISO's Tariff and subject to the Commission's review upon its own motion, and could be discussed in future proceedings.<sup>74</sup>

102. Midwest ISO proposes to change the definition of the treatment of NDEX in section 82.5 as it is defined in section 90.2.2. Also, Midwest ISO clarifies that NDEX rights would be observed when assessing both long-term and short-term transmission service requests. Furthermore, Midwest ISO agrees to amend Attachment KK-3 as Manitoba Hydro suggests requiring inclusion and updating of any changes in the documentation, particularly operating guides that are used to support NDEX rights. However, Midwest ISO differs with Manitoba Hydro regarding the reference to Attachment LL, explaining that the obligation in Module F to treat NDEX as stated therein arises upon the signing of the service agreement. Also, Midwest ISO clarifies that the TEMT and related service agreement incorporate Attachment LL as the congestion management tool otherwise applicable. Moreover, Midwest ISO explains that sections 82.5 and 90.2.2 create an exception to treatment that would otherwise apply to NDEX by virtue of Attachment LL, not by virtue of other agreements. Furthermore, Midwest ISO explains that nothing in Module F is intended to circumscribe the rights and obligations regarding the treatment of NDEX that may be found in seams agreements with entities not taking service under Parts II or III of Module F. Midwest ISO asserts that the congestion management protocol that has been agreed to under those agreements will continue to be observed between Midwest ISO and the parties to those agreements.<sup>75</sup>

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<sup>73</sup> Midwest ISO Answer at 58.

<sup>74</sup> *Id.* at 59.

<sup>75</sup> *Id.* at 57.

103. Midwest ISO does not believe that the NDEX flowgate is particularly unique such that the region would not benefit from changing the way MAPP members have been managing congestion and, Midwest ISO explains, the treatment of NDEX was negotiated by Midwest ISO in the original SOA as well as in the development of Module F.<sup>76</sup>

104. Midwest ISO explains that, presently, it dispatches MAPP area market flows while honoring the NDEX flowgate under nearly identical restrictions agreed to in the MAPP SOA. However, Midwest ISO clarifies that the only difference under Market Service would be that the percentage of NDEX capacity available for SCED will be increased if entities holding rights on NDEX apply for service under Part III.<sup>77</sup>

105. In response to Minnkota, Midwest ISO clarifies that only the flowgates named in Module F will receive special treatment like NDEX. Furthermore, Midwest ISO argues that Minnkota's reliance on section 5.1.10 of the SOA is misplaced for two reasons: the notice of termination has already been served, and it stands on its own terms in any event; and, more importantly, the application of section 5.1.10 to MHEX or any other flowgate has been a point of contention disposed of by Commission order in 2005, and again in 2007 in an order on settlement.<sup>78</sup>

(c) **Commission Determination**

106. We will accept Midwest ISO's proposal to continue treating NDEX under Seams Service the same way it currently treats the interface under existing agreements. As Midwest ISO explains, the treatment of NDEX was negotiated and agreed to as part of the original MAPP SOA in 2005 and again in the development of the instant proposal. Midwest ISO states, and no party disputes, that Midwest ISO successfully dispatches market flows in the MAPP region today under the MAPP SOA while honoring the NDEX in the same way as it proposes to do for Seams Service. Midwest ISO's proposal merely allows the current compromise agreed to by the parties and previously accepted by the Commission to continue. We find that the existing NDEX arrangements represent a reasonable compromise, and we will allow Midwest ISO, for an interim period, to continue treating NDEX for purposes of Seams Service the way it does today.

107. We will accept Midwest ISO's offer and direct Midwest ISO to work with affected parties to explore a longer-term solution for NDEX. We find that Xcel's and Manitoba Hydro's suggestion that the current NDEX treatment be limited to three years is a

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<sup>76</sup> *Id.* at 58.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.* at 59.

reasonable amount of time to allow the parties to come to agreement on more permanent arrangements. Midwest ISO is directed to file, at least 60 days prior to June 1, 2011, a compliance filing providing a detailed justification as to why the existing treatment of NDEX should be permitted to continue beyond that date, or, alternatively, a new section 205 filing proposing a long-term solution that details a new proposal for the treatment of NDEX. At that time, the Commission will evaluate any proposals to extend the availability of the NDEX or to modify its treatment.

108. In addition, we direct Midwest ISO to include in the compliance filing due within 30 days of the date of this order those changes that it agreed to make in response to concerns raised by protestors regarding the treatment of NDEX under Seams Service.

109. We also note that Midwest ISO proposes to treat NDEX essentially the same for both Seams Service and Market Service, and we believe the concerns related to this issue are also substantially the same (i.e., whether allocation of capacity on NDEX should be managed in accordance with existing agreements or as an RCF under the CMP). Although we are not in this order ruling on the merits of Market Service, we find that treatment of NDEX is better suited for negotiation and evaluation as a discrete issue instead of as a part of the overall Seams Service and Market Service proposals. Therefore, parties should address as part of the stakeholder process all issues related to NDEX, whether they relate to Seams Service or, to the extent it becomes effective, Market Service. We do not believe that NDEX needs to be included as part of the ongoing proceeding on Market Service that we discuss below; however, if a party believes that there is an issue related to NDEX that applies only to Market Service or that NDEX must be treated differently for Market Service than for Seams Service, the party can raise the issue as part of the Commission's further proceedings on Market Service.

**ix. Other Clarifications**

**(a) Comments**

110. Basin Electric believes that Midwest ISO should clarify section 83.3.6, which addresses changes to the start and stop time for redispatch, because Basin Electric believes this section is written in a confusing manner and it does not understand the intent of the section. In addition, Basin Electric notes that the provision in this section that allows Midwest ISO or a Seams Service customer to discontinue a redispatch request if the generators being used for redispatch are "needed for other purposes" is inconsistent with sections 83.3.3 and 83.3.4, which impose an obligation to redispatch unless specific circumstances exist. Basin Electric believes that the generator's right to terminate should

be limited to the specific circumstances provided in sections 83.3.3 and 83.3.4. Basin Electric states that it is not clear if Midwest ISO agrees with these proposed changes.<sup>79</sup>

111. Ameren also seeks clarification of the term “merit order block loading” in section 80.1.1 to provide Seams Service customers a definition or formula to use when determining the degree of block loading for a resource. Additionally, Ameren believes that those calculations should be reviewable by an entity such as the Independent Market Monitor (IMM), who would check for their reasonableness and accuracy.<sup>80</sup>

112. Ameren requests that Midwest ISO define the term “accredited capacity,” which it says is one of the elements of the formula for identifying intermittent generation.<sup>81</sup> Ameren argues that the criteria used by the Seams Service customer to determine the accredited capacity may have a significant impact on the payments between Midwest ISO and the Seams Service customer when redispatch is executed to mitigate a binding constraint. Ameren believes that this Tariff language should be clarified so that parties can have some certainty as to the reasonableness of that calculation.<sup>82</sup>

113. Ameren also states that because Module F requires a transmission provider to offer Seams Service to third-parties, the Commission should require Midwest ISO to propose an appropriate compensation mechanism so that transmission providers are fairly compensated for providing this service.

**(b) Midwest ISO Answer**

114. Midwest ISO states that Ameren misapprehends the purpose of supplying “merit order block loading” and that this term need not be defined. Midwest ISO states that the term has common understanding in the industry and is used in that sense in every seams agreement which Midwest ISO has signed and filed. It is information exchanged for reliability purposes, and is inapplicable to determining the cost of redispatch. Midwest ISO also points out that Module F does not require “a” transmission provider to offer Seams Service; the language is “the” transmission provider under the TEMT (i.e., Midwest ISO). Thus, there is no requirement for other transmission providers to offer Seams Service.

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<sup>79</sup> Basin Electric Protest at 50.

<sup>80</sup> Ameren Protest at 16.

<sup>81</sup> *Id.* at 17.

<sup>82</sup> *Id.*

(c) **Commission Determination**

115. We agree with Basin Electric that Midwest ISO needs to clarify section 83.3.6. This section does not provide the necessary detail to explain when and how Midwest ISO and a Seams Service customer can start or stop performing redispatch when requested to do so by the other party. Therefore, we direct Midwest ISO to revise that section to make clear the process and details for parties to change the start or stop time for redispatch and to remove or clarify the provision that appears to allow a party to stop providing redispatch if the generators being used to provide redispatch are needed for other purposes. As Basin Electric points out, the conditions under which a party may refuse to redispatch are outlined elsewhere in the Tariff. We direct Midwest ISO to include these changes in the compliance filing due within 30 days of the date of this order.

116. The Commission agrees with Midwest ISO that it does not need to define the term “merit order block loading” in the TEMT as this is an industry term used to offer capacity based on MW/Minute or as a single MW-MW/Minute. Similarly, the term “accredited capacity” is an industry term which is used for generation capacity accreditation (as an example, for a wind generation name plate capacity of 100 MW, Midwest ISO gives 20 percent of its name plate capacity as accredited capacity, which is 20 MW). Although it is not necessary to define these terms in the TEMT, for clarification purposes, we require Midwest ISO to include the definitions of merit order block loading and accredited capacity in its BPMs. We reject Ameren’s request to require Midwest ISO to propose a compensation mechanism for “a” transmission provider other than Midwest ISO that must provide Seams Service. As Midwest ISO explains, only Midwest ISO, as “the” transmission provider under the TEMT, is required to provide that service.

117. Finally, we note that there is a discrepancy between the Seams Service eligibility criteria that Midwest ISO proposed in the TEMT and the criteria described by Midwest ISO in the transmittal letter and in testimony. In particular, section 79.1 states:

To be eligible for [Seams] Service under this Part, a [Seams Service customer] must: (i) be a [NERC-registered] [t]ransmission [p]rovider providing reciprocal transmission service pursuant to an open access transmission tariff or other applicable tariff using transmission facilities that are physically connected to the [t]ransmission [s]ystem; and (ii) register as a [m]arket [p]articipant pursuant to the Tariff.<sup>83</sup>

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<sup>83</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, Original Sheet No. 850W.

However, Midwest ISO states elsewhere that to be eligible for Seams Service, a customer must be a NERC-registered transmission provider providing service pursuant to an open access transmission tariff or other similar tariff over transmission facilities that are interconnected with Midwest ISO's transmission system *or with the facilities of a Market Service customer taking service under Part III of Module F.*<sup>84</sup> Although we are not accepting Market Service in this order, Midwest ISO should clarify in the compliance filing due within 30 days of the date of this order whether transmission providers that are not directly interconnected with the Midwest ISO system are eligible for Seams Service if they are interconnected with the facilities of a Market Service customer.

118. In addition, we note that Midwest ISO omitted labeling Attachment LL to Original Sheet No. 1950. Therefore, we direct Midwest ISO to label Sheet No. 1950 accordingly.

### **3. Market Service**

#### **a. Midwest ISO Proposal**

119. Part III of Module F sets forth the terms of Midwest ISO's proposed Market Service. Through the proposed Market Service, Midwest ISO proposes to extend its energy and operating reserves markets (Ancillary Services Market or ASM) to the footprints of transmission-owning entities outside of Midwest ISO. Midwest ISO also proposes to require Market Service customers to participate in the Midwest ISO ASM and to execute the Balancing Authorities Agreement. However, under the proposal, Market Service customers would retain functional control over their transmission systems and maintain their own OATTs. As such, a generator in a Market Service customer's footprint could be dispatched (or buy power) in Midwest ISO's energy market by arranging for access to the Market Service customer's transmission system and applying to Midwest ISO to be a market participant. It would then submit offers to Midwest ISO and be dispatched as part of the Midwest ISO SCED, just like any other generator within Midwest ISO.

120. To be eligible for Market Service, a transmission owner must provide transmission for facilities that are interconnected with the facilities of: (i) a Midwest ISO Transmission Owner; (ii) another Market Service customer; or (iii) a Seams Service customer that provides transmission service adequate to allow Midwest ISO to perform its SCED.<sup>85</sup>

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<sup>84</sup> See *id.* at 4; Moeller Testimony at 6.

<sup>85</sup> A Market Service customer cannot be a signatory to the Midwest ISO TOs Agreement. Market Service customers must take Reliability Service, under Part I of Module F, concurrently with Market Service.

121. The Market Service proposal differs from full participation in Midwest ISO as a Midwest ISO Transmission Owner in several significant ways. As noted above, a Market Service customer does not turn over functional control of its transmission facilities, and it would continue to administer its own tariff and its own transmission planning, although it will be more closely coordinated with Midwest ISO's planning process than would a non-Market Service customer. With respect to governance, Midwest ISO proposes that a Joint Coordinating Committee (JCC), composed of Midwest ISO and Market Service customers, function as an advisory technical committee. Market Service customers would be eligible to participate under the current coordination customer segment of Midwest ISO's existing stakeholder process. Market Service customers also cannot participate in transmission revenue distribution provided under the Midwest ISO TO Agreement. With respect to the term of service and exit provisions, Market Service customers must commit to an initial term of three years (with a one-year evergreen renewal), whereas Midwest ISO Transmission Owners under the Midwest ISO TO Agreement commit to a five-year initial term. The exit fee for an entity that becomes a Market Service customer but subsequently leaves is limited to unamortized capital and deferred costs incurred by Midwest ISO after December 31, 2007, in contrast to the exit fees provisions for withdrawing Midwest ISO Transmission Owners under the Midwest ISO TO Agreement and TEMT, which are not so limited. Further, unlike signatories to the Midwest ISO TO Agreement, Midwest ISO proposes that Market Service customers do not need to petition the Commission to withdraw.

122. Entities taking Market Service (or one of the other coordination services in Module F) will coordinate their transmission planning with Midwest ISO as a coordinating neighboring system. Such coordination includes studies for transmission service and generator interconnection requests over the combined systems, and the calculation of Available Transfer Capability (ATC), Available Flowgate Capability (AFC) and Total Transfer Capability (TTC) using a mutually agreed upon methodology. A Market Service customer and Midwest ISO are also obligated to provide each other with information concerning transmission planning that impacts transmission service on the combined systems.

123. The customers of a Market Service customer will be eligible to receive Firm Transmission Rights (FTRs), LTTRs, and Auction Revenue Rights (ARRs) on the same basis as existing Midwest ISO market participants. To do so, these customers must, among other things, take network integration transmission service and/or firm point-to-point service (comparable to those same services offered under Module B of the TEMT) on the Market Service customer's system. Further, in order for the customers of a Market Service customer to be eligible for transmission rights, the Market Service customer's tariff must provide for customer participation in the transmission planning process and evince a mutual obligation between the Market Service customer and Midwest ISO to maintain simultaneous feasibility across the combined systems by expanding their respective transmission systems to serve network load.

124. RECB costs are not directly allocated to the Market Service customers for recovery under their tariffs; nor are the costs of a Market Service customer's expansions included in the RECB cost allocations. Rather, the proposal provides for Market Service customers, and customers under their tariffs, to pay for RECB costs when reserving transmission service with Midwest ISO or paying the MITS charges by paying an "out" charge that includes a system-wide rate which includes RECB costs. Midwest ISO will allocate the cost of cross-border facilities (facilities built in Midwest ISO that provide benefits to one of the customers under Module F and vice versa) on a case-by-case basis, to the extent not already addressed by existing transmission pricing provisions of the TEMT (e.g., through charges for point-to-point transmission service reservations under the TEMT for delivery to the Market Service customer's system).

125. While entities can continue to reserve transmission service under the Market Service customer's OATT and the TEMT for transactions between the Market Service customers' and Midwest ISO's transmission systems, Midwest ISO explains that such pre-reserved service, whether network or point-to-point, is not sufficiently flexible to provide the transmission service necessary to support Midwest ISO's SCED. It states that reserving transmission service in advance to cover market flows is inconsistent with the operation of the market, as market flows are not known in advance. Thus, Midwest ISO proposes MITS to provide the transmission service necessary for energy market flows between the Market Service customers' and Midwest ISO's transmission systems that result from Midwest ISO's dispatch of its markets.

126. The MITS charge is designed to recover the cost of the additional transmission capacity needed on the Midwest ISO system (beyond what is already reserved under the TEMT) to support energy exports from the Midwest ISO system to the Market Service customer's system as a result of the Midwest ISO SCED (i.e., when the Market Service customer is a net-importer under the Midwest ISO SCED). However, a Market Service customer will also need to provide a similar type of transmission service over its own transmission system to support the Midwest ISO SCED when the Market Service customer exports energy to Midwest ISO's or another Market Service customer's transmission system (i.e., when the Market Service customer is a net-exporter under the Midwest ISO SCED). Provisions for such MITS-comparable will be set forth in Market Service customers' tariffs.

127. Accordingly, before a transmission owner can become a Market Service customer, it must make a filing under section 205 of the FPA to include in its individual OATT a new transmission service that is comparable to or better than MITS. In proposed Attachment MM to the TEMT, Midwest ISO proposes certain *pro forma* provisions that all Market Service customers must agree to include in their individual OATTs as part of the MITS-comparable. The Market Service customer will assess the yet-to-be-determined MITS-comparable charges to customers under the Market Service customer's individual OATT.

128. Midwest ISO proposes a three-year transition period for the MITS charges because the actual market flows needed to develop the MITS charge can only be determined following the integration of the Market Service customer's resources and loads into the Midwest ISO SCED. For each year of a three-year transition period, the MITS charge for a Market Service customer will be based on the sum of all transmission charges that Midwest ISO assessed for exports to the Market Service customer's transmission system during the calendar year prior to the customer beginning to take Market Service, less the revenue that Midwest ISO receives for transmission reservations to the Market Service customer's transmission system.

129. Midwest ISO's Market Service proposal places preconditions on market participants with GFAs. For example, a Market Service customer must relinquish carved-out status for its GFAs to which the only other party is another Market Service customer or a Midwest ISO Transmission Owner.<sup>86</sup> In addition, a Market Service customer must provide to Midwest ISO detailed information for every existing agreement that obligates the Market Service customer to provide transmission service on Market Service customer transmission facilities (including as a component of bundled service) to the extent such agreements are not currently listed in Attachment P.

130. Midwest ISO states that the acceptance of its Market Service proposal would benefit the market in several ways. It argues that closer coordination with MAPP members and a more seamless integration into Midwest ISO's markets will improve regional reliability. It notes that the proposal would replace inefficient TLR mechanisms with generation-based congestion management, and thus deliver the efficiency benefits of LMP-based congestion management mechanisms to a broader range of customers. Midwest ISO also asserts that its proposal would lead to the addition of new sources of low-cost power and would reduce administrative costs to existing customers because of economies of scale.

131. Midwest ISO states that its proposal is consistent with the underlying principles of Order No. 2000 and is not expected to have any adverse effects upon current Midwest ISO membership or operations. It argues that by extending the LMP-based congestion management market, the proposal will meet the RTO principles of accommodating broad participation by market participants and providing all transmission customers with efficient price signals that show the consequences of their transmission usage decisions. Midwest ISO also notes that the proposal will address parallel path flow issues and augment regional coordination, as required by Order No. 2000.

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<sup>86</sup> Midwest ISO Proposal, FERC Electric Tariff, Third Revised Vol. No. 1, section 90.2.4.1, Original Sheet No. 850Z.44.

132. Midwest ISO states that although some rate pancaking would remain because Market Service customers maintain their own transmission tariffs and would continue to be transmission providers on their own systems, it believes the appropriate basis of comparison is with the status quo, which has that same rate pancaking. It argues that a flexible approach is needed for evaluating proposals by functioning RTOs that seek to expand their footprints to benefit customers and market participants. Finally, Midwest ISO states that the Commission should not fear that the availability of RTO services would unravel Midwest ISO or any other RTO because the exit fee that would apply to an existing Midwest ISO Transmission Owner would discourage withdrawals.

**b. Comments**

133. Several commenters (Midwest TDUs, Alliant, Consumers Energy, Great River, Integrys) argue that if Module F is approved, Midwest ISO Transmission Owners could become Market Service customers instead, thereby adversely impacting the remaining Midwest ISO Transmission Owners. Alliant, Consumers Energy, and Midwest TDUs also contend that the Commission should require that any Transmission Owner weakening its relationship to Midwest ISO hold other market participants fully harmless from any consequences of that change, such as rate pancaking. Constellation argues that the Market Service proposal creates greater market uncertainty because there would be no long-term certainty regarding who Midwest ISO Transmission Owners would be and current (or future) Midwest ISO Transmission Owners could exert greater influence on Midwest ISO or other stakeholders via the threat that a party unsatisfied with a particular Tariff provision could simply leave the RTO.

134. Commenters such as Midwest TDUs assert that the Market Service proposal puts Midwest ISO's long-term stability at risk. Midwest TDUs state that the most straightforward way to maintain confidence in Midwest ISO's long-term stability would be to reject Market Service and to give Midwest ISO an opportunity to re-file in a way that avoids making Market Service an attractive alternative to the continuation of existing Midwest ISO Transmission Owner status.

135. In contrast, Midwest ISO TOs generally support the proposal while emphasizing that the best option for addressing Midwest ISO to non-Midwest ISO seams is for transmission providers to join Midwest ISO as signatories to the Midwest ISO TOs Agreement. Midwest ISO TOs state that Midwest ISO should keep striving toward this goal. OMS also generally supports the proposal but believes that the incremental benefits to existing market participants are likely to be small.<sup>87</sup> However, Midwest TDUs, in their

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<sup>87</sup> OMS states that, in response to a data request, Midwest ISO conceded that its estimate of the potential reduction in its per-unit administrative costs by up to ten percent was based on an assumption that all MAPP members would take Market Service, but

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supplemental comments, state that the announcements by Nebraska Public Power, Omaha Public Power and Lincoln Electric System that they intend to join SPP will limit the scope of benefits of the Market Service proposal without limiting the potential detriments.

136. Other commenters, such as Alliant, assert that the exit fees and conditions for withdrawal are not sufficiently prohibitive to keep current Midwest ISO Transmission Owners from leaving the RTO to take Market Service, and that any application to exit Midwest ISO under the Midwest ISO TO Agreement, with the intent to re-enter under the Module F service provisions, should be reviewed with the intent to protect existing market participants from detrimental financial impacts.<sup>88</sup> Midwest ISO TOs argue that this proceeding is not the proper forum to address what to do if a Midwest ISO Transmission Owner leaves Midwest ISO and then takes Market Service. Ameren asserts that the Midwest ISO TO Agreement establishes the obligations for a Midwest ISO Transmission Owner upon withdrawal.<sup>89</sup> Ameren notes that the Market Service proposal does not amend the Midwest ISO TO Agreement's withdrawal provisions. Thus, Ameren asserts, the conditions on withdrawal from Midwest ISO membership are beyond the scope of this proceeding. Midwest ISO responds that membership in the RTO is already voluntary, and that it is unaffected by this proceeding. Other commenters assert that additional exit requirements would materially change a component of the calculus relied upon by Midwest ISO Transmission Owners in joining Midwest ISO.<sup>90</sup>

137. Several commenters argue that aspects of the Market Service proposal are unduly discriminatory. For example, Indiana URC expresses concern that the Market Service

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there is no way to document whether this will or will not occur. OMS also states that it is not clear that LMPs paid by retail customers within the existing Midwest ISO region will be reduced if new market participants are added to the Midwest ISO markets under Market Service. It states that the effect of additional generators and loads located in the Market Service customer zones on LMPs at existing pricing nodes is dependent upon a wide variety of variables, including the fuel mix and geographical configuration of the added generation, the customer mix and load shape of the added load, and the topology of the transmission system. OMS states that an *a priori* determination of the effect of added generation and load from new Market Service customer zones on LMPs at existing pricing nodes would require a detailed analysis.

<sup>88</sup> See e.g., Alliant Comments at 5.

<sup>89</sup> See Midwest ISO TO Agreement Art. 5, §§ I-II.B.

<sup>90</sup> See Midwest ISO TOs Comments at 7-8, Ameren Comments at 5-6.

proposal would allow new entities to participate in Midwest ISO on more flexible terms than the terms under which the original Midwest ISO Transmission Owners joined.

138. IPL expresses concern that the forecasted savings in administrative costs will be dwarfed by the projected costs of transmission expansion in the RECB cost sharing.

139. Midwest TDUs and Alliant argue that the Market Service proposal violates Order No. 2000 because it represents a softening of RTO characteristics and functions, since Market Service customers will not have to make the same commitments as Midwest ISO Transmission Owners. For example, Midwest TDUs express concern that Midwest ISO would have no authority over Market Service customers' planning and that Market Service customers will have an incentive to under-invest in new transmission in order to capture higher rates. Midwest TDUs also assert that the Market Service proposal leads to intra-RTO rate pancaking. Midwest TDUs and Constellation argue that there would be internal Midwest ISO seams that could lead to gaming, and Midwest ISO therefore would not meet the scope and configuration requirement designed to support efficient and nondiscriminatory power markets. Midwest TDUs also contend that the Market Service proposal would extend the RTO market to areas where vertically integrated transmission providers continue to control their transmission systems and administer their tariffs, and thus would undermine Midwest ISO's perceived independence. Midwest TDUs argue that the Commission's RTO regulations expressly require the RTO to be the single OASIS site administrator and to independently calculate TTC and ATC. IPL and ITC and METC express concern that Market Service customers would have access to Midwest ISO's competitive energy markets but would escape RECB cost-sharing obligations.

140. In contrast, commenters such as MidAmerican do not believe that the proposal runs afoul of Order No. 2000. Midwest ISO notes that the Commission has not required RTOs to include all facilities in the region. Basin Electric argues in its answer that the Commission should not require Market Service to comply with Order No. 2000, since Midwest ISO is not proposing to expand the scope of regional transmission service to include the Market Service customers. Basin Electric and Midwest ISO also assert that the proposal eliminates rather than creates seams. Although Midwest ISO agrees that the Commission generally discourages rate pancaking, it asserts that a flexible approach is warranted here because current MAPP members are differently situated from other transmission owners, and eliminating pancaked rates would have a devastating effect on them. Midwest ISO argues that it already meets the independence, scope and configuration requirements and that its compliance with those requirements is unaffected by this proposal. It also notes that the scope requirement was for RTO formation, not for fully-formed RTOs. Midwest ISO also asserts that because Market Service customers would not transfer their facilities to Midwest ISO's functional control, subjecting them to planning authority is not warranted. Midwest ISO contends that Order No. 2000 only requires an RTO to have operational authority over all facilities under its *functional*

control. Midwest ISO asserts that because facilities owned by Market Service customers are not under its functional control, there is no need for a single OASIS. Basin Electric and MidAmerican argue that new Market Service customers should not have to pay RECB charges since these customers have their own transmission planning.

141. Several commenters argue that the MITS and MITS-comparable proposals lack significant details. Midwest TDUs state that the filing is so incomplete and unclear that the Commission cannot accept it. Midwest TDUs note that, for example, the rates, terms and conditions remain to be determined for the MITS-comparable provided by Market Service customers that will be needed to deliver energy across or out of the Market Service customer's system to Midwest ISO. They also point out that the rates, terms and conditions for service through transmission owners positioned between a Market Service customer and Midwest ISO are not known. In addition, Midwest TDUs assert that Attachment MM requires MITS-comparable provided by Market Service customers to be "subject to" certain provisions of the TEMT, but this language is deficient because it is vague and does not outline which provisions are applicable.

142. Similarly, PPM notes that the proposal does not explain how Market Service customers will establish their rates for MITS-comparable. PPM argues that because it and others may have to take MITS-comparable from multiple Market Service customers, the rate for MITS-comparable should be developed, allocated and applied on a consistent basis. PPM argues that it is important for the Commission to offer guidance in this proceeding to ensure that the price signal for exports of power from a Market Service customer's control area to Midwest ISO does not discourage such exports.

143. Basin Electric argues that another missing aspect of the proposal that the Commission must address is how a Market Service customer will recover MITS charges that it pays to Midwest ISO. Basin Electric argues that loads on the Market Service customer's system should have to pay for MITS, not the Market Service customer itself. Therefore, if the Commission allows Midwest ISO to charge the Market Service customer for MITS, Basin Electric asserts that the Commission must then allow the Market Service customer to pass on those costs to the loads on the Market Service customer's system. Basin Electric argues that because this part of the proposal is missing, the MITS charges are unjust and unreasonable.

144. Several commenters express concern for the impact of MITS and MITS-comparable charges on Midwest ISO's SCED. Midwest TDUs argue that because these charges are or may be transactional-based, incorporating Market Service customers in the Midwest ISO SCED would be worse than the status quo because the MITS charges could skew the economic dispatch of the combined Midwest ISO/Market Service customer footprint. Omaha Public Power suggests that, to resolve this potential problem, the Commission should require Midwest ISO to take the charges for MITS and MITS-comparable into account when performing its SCED. Alternatively, Omaha Public

Power argues, the Commission could make both charges zero, since such pancaked transmission rates inside Midwest ISO's dispatch footprint are not compatible with the SCED and discriminate against customers based on their location with respect to the existing Midwest ISO footprint.

145. Several fundamental questions have been raised and discussed in pleadings with regard to coordination and control in transmission planning and expansion under Market Service. Duke, OMS and Midwest TDUs are concerned that the Market Service proposal will result in the balkanization of transmission planning in the expanded region because Market Service customers' transmission systems will not be included in the Midwest ISO regional planning process. OMS supports the Market Service proposal but urges the Commission to require Midwest ISO to develop a proposal to ensure that the planning requirements for Market Service customers are both transparent and coordinated with the Midwest ISO planning and interconnection processes, or, in the alternative, to modify Module F so that Midwest ISO is responsible for planning and interconnection for Market Service customers.

146. Other commenters question the responsibility to expand transmission facilities in the context of a market. Midwest TDUs state that while planning for congestion relief and for simultaneous feasibility of long-term rights within the existing footprint is mandatory, planning is optional for a Market Service customer that chooses not to receive Stage 1 ARR. They argue that since the Market Service proposal does not support simultaneous feasibility or the delivery of long-term resource commitments, it should be rejected.

147. Xcel argues that having Market Service customers operating under separate tariffs will lead to operational and planning inefficiencies and result in undesirable consequences, such as FTR funding shortfalls. Xcel contends that the Commission should require Midwest ISO to clarify the planning and investment standards that a Market Service customer must meet in order for it and its customers to be eligible for ARRs and FTRs. Xcel also asserts that there should be incentive mechanisms to encourage transmission investment as well as a means of recovering shortfalls in FTR funding other than on a *pro rata* basis.

148. Midwest ISO argues that there is no evidence suggesting that non-integrated expansion planning and implementation of Market Service customers is inferior or will automatically undermine the feasibility of ARRs and FTRs. Basin Electric also argues that Market Service customers will remain obligated by their OATTs to construct transmission facilities to meet the needs of their firm transmission customers and their native loads, and that any failure to do so would be self-defeating.

149. Commenters also raise a number of issues with respect to GFAs. For example, Basin Electric and Corn Belt argue that the public interest does not require that existing carved-out GFAs be modified for entities to become Market Service customers.<sup>91</sup> Midwest ISO TOs and Duke argue that the current Market Service proposal lacks transparency and that stakeholders should have access to GFA data in order to ensure that GFAs are being designated correctly. Midwest TDUs argue that there is not enough information in the record to evaluate the impact of Midwest ISO's proposal to assign to Market Service customers any revenue shortfall associated with the new carved-out GFAs. Midwest ISO states that because it is adopting the current Option A and Option C GFA treatment alternatives that are already in the TEMT, the Commission should reject Basin Electric's criticism of the treatment of losses under Option A and Option C as a collateral attack on the Commission's prior orders finding that these options are just and reasonable.

150. Commenters raise concerns regarding the formation, composition, and functions of the proposed JCC. Ameren argues that the committee is insufficiently described in the Tariff and was developed improperly outside of Midwest ISO's stakeholder process. Midwest TDUs and Xcel contend that the committee's functions are too similar to those of Midwest ISO's Advisory Committee and that the JCC's membership should be expanded to include all stakeholders. Midwest ISO TOs request that the JCC not discuss matters that affect transmission revenues. In response, Midwest ISO and MidAmerican state that the JCC has only advisory functions that do not circumvent the existing stakeholder process.

151. Midwest ISO TOs argue that the Midwest ISO TO Agreement must be modified if Market Service customers are to participate in the coordination customer segment for the stakeholder process. Constellation requests clarification regarding Market Service customers' voting and participation rights in the stakeholder process.

152. Ameren, Heartland, and Mid-West ECA all ask the Commission to convene at least one technical conference for the purpose of gathering more information about Midwest ISO's proposed Module F. Ameren states that the issues raised by Midwest ISO's proposed Module F are "technical and detailed in nature" and go beyond "just policy."<sup>92</sup> Ameren goes on to state that a technical conference is appropriate for the purpose of developing an adequate definition for Schedule 32 and MITS. Mid-West

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<sup>91</sup> *Citing Midwest Indep. Transmission Sys. Operator, Inc.*, 121 FERC ¶ 61,166, at P 37-41 (2007).

<sup>92</sup> Ameren Comments at 19.

ECA states that it is concerned that proposed Module F does not adequately reflect the nature of large hydroelectric resources<sup>93</sup>

153. Alliant calls on the Commission to “require...Midwest ISO to work with stakeholders to define certain metrics to be used by [m]arket [p]articipants and the Commission to determine whether, and by how much, the Western Markets Proposal benefits existing [m]arket [p]articipants.”<sup>94</sup> Consumers Energy requests that the Commission go beyond just requiring Midwest ISO to monitor costs and benefits associated with the Western Markets Proposal. Consumers Energy calls on the Commission to require Midwest ISO to “make an annual informational filing identifying the costs and benefits [associated with the operation of Module F].”<sup>95</sup>

**c. Commission Determination**

154. We find that, among other things, the Market Service proposal fails to specify the allocation and rate design for prospective Market Service customers’ recovery of costs associated with MITS and MITS-comparable from customers under their respective OATTs; nor does it adequately address whether the overall rate design for MITS and MITS-comparable will result in just and reasonable energy and operating reserve market prices under Module C of Midwest ISO’s TEMT. Thus, we find that the Market Service proposal is incomplete and is therefore deficient. To correct this deficiency, the Commission requires that the applicants adequately answer the questions in Appendix B of this order within 60 days of the date of this order. Once the application is complete, the Commission will issue a further order on the Market Service proposal.

155. In addition, we find that the Market Service proposal raises a number of broad policy issues that the Commission will need to examine in more depth before making a final determination on Market Service. Once Midwest ISO has cured the deficiencies discussed above, we anticipate holding a technical conference to further consider the implications of the proposal and to address policy concerns and issues including the following:

- a. How does the Market Service proposal encourage Midwest ISO members to remain Midwest ISO Transmission Owners under the Midwest ISO TO Agreement, and how does the proposal encourage withdrawal from the Agreement?

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<sup>93</sup> Mid-West ECA Comments at 2.

<sup>94</sup> Alliant Comments at 3.

<sup>95</sup> Consumers Energy Comments at 5.

- b. Will the proposal encourage Market Service customers to subsequently join the Midwest ISO as Midwest ISO Transmission Owners? Or will the proposal only discourage joining?
- c. How will the Market Service proposal affect the ability of Midwest ISO to perform the RTO functions and characteristics set forth in Order No. 2000? What impact could the acceptance of the proposal have on other ISOs or RTOs?
- d. Will the cost-sharing mechanisms for transmission expansions provided for in the Market Service proposal create sufficient incentives for new transmission infrastructure construction? Are there opportunities to amend the Market Service proposal to better address planning and cost responsibility for regional transmission expansions?
- e. What impact will transmission rate pancaking by Market Service customers have on the operation and efficiency of the larger regional energy market?
- f. What are the benefits of the Market Service proposal to (a) customers in the footprint of Midwest ISO Transmission Owners and (b) customers in the footprint of the potential Market Service customers?
- g. What are the advantages and costs to incorporating Market Service into a single generic agreement available to any entity, compared with the advantages and costs of negotiating separate agreements with individual entities?

We seek comments on these broad policy issues by Midwest ISO and parties to this proceeding. We will also accept comments from interested persons that are not parties to this proceeding.<sup>96</sup> Any such comments should be filed within 60 days of the date of this order.

The Commission orders:

(A) Midwest ISO's Reliability Service proposal in Part I of Module F, Schedule 31, and Attachment KK-1, and related revisions to Modules A and C are hereby conditionally accepted effective June 1, 2008, subject to compliance, as discussed above.

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<sup>96</sup> Interested persons that are not parties to this proceeding need not file a motion to intervene out-of-time seeking party status in order for their comments on these issues to be considered.

(B) Midwest ISO's Seams Service proposal in Part II of Module F, Attachment KK-2, and Attachment LL, and related revisions to Modules A and C are hereby conditionally accepted effective June 1, 2008, subject to compliance, as discussed above.

(C) Midwest ISO's Market Service proposal in Part III of Module F, the Market Service *pro forma* agreement in Attachment KK (Attachment KK-3), Attachment MM, the proposed modifications to Attachment L, Schedule 32, and revisions in Module A and C that relate solely to Market Service are hereby found deficient and Midwest ISO is directed to submit a compliance filing within 60 days of the date of this order, as discussed in the body of this order.

(D) With respect to Midwest ISO's Reliability and Seams Service proposals (including the treatment of the NDEX under Seams Service) Midwest ISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

(E) Midwest ISO is hereby directed to submit, at least 60 days prior to June 1, 2011, either (1) a compliance filing justifying why the existing treatment of NDEX should be permitted to continue beyond that date, or (2) a section 205 filing proposing a new treatment of NDEX, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

## Appendix A – Parties and Abbreviations

### Parties that submitted comments or interventions in this proceeding:

- Alliant Energy Corporate Services, Inc. (Alliant)
- Ameren Services Company (Ameren)
- Aquila, Inc. (Aquila)
- American Transmission Company LLC (ATC)
- Basin Electric Power Cooperative (Basin Electric)
- Coalition of Midwest Transmission Customers (CMTC)
- Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc. (Constellation)
- Consumers Energy Company (Consumers Energy)
- Corn Belt Power Cooperative (Corn Belt)
- Dairyland Power Cooperative (Dairyland)
- DC Energy Midwest, LLC (DC Energy Midwest)
- Detroit Edison Company (Detroit Edison)
- Duke Energy Corporation (Duke)
- EPIC Merchant Energy, LP (Epic)
- Exelon Corporation (Exelon)
- Great River Energy (Great River)
- Heartland Consumers Power District (Heartland)
- Indiana Utility Regulatory Commission and Indiana Office of Utility Consumer Counselor (Indiana URC)
- Integrys Energy Group, Inc. (Integrys)
- Indianapolis Power & Light Company (IPL)
- International Transmission Company, Michigan Electric Transmission Company, and ITC Midwest, LLC (ITC & METC)
- Manitoba Hydro
- MidAmerican Energy Company (MidAmerican)
- Mid-West Electric Consumers Association (Mid-West ECA)
- Midwest ISO Transmission Owners (Midwest ISO TOs)<sup>1</sup>

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<sup>1</sup> Midwest ISO TOs include: American Transmission Systems, Inc., a subsidiary of FirstEnergy Corp.; City of Columbia Water and Light Department (Columbia, MO); City Water, Light & Power (Springfield, IL); Duke Energy Shared Services for Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., and Duke Energy Kentucky, Inc.; Great River; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Michigan Public Power Agency; Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries  
(continued)

- Midwest Transmission Dependent Utilities (Midwest TDUs)<sup>2</sup>
- Minnkota Power Cooperative, Inc. (Minnkota)
- Muscatine Power and Water (Muscatine)
- Nebraska Public Power District (Nebraska Public Power)
- Omaha Public Power District (Omaha Public Power)
- Organization of Midwest ISO States (OMS)<sup>3</sup>
- PPM Energy, Inc. (PPM)
- SESCO Enterprises LLC (SESCO)
- Western Area Power Administration (WAPA)
- Wisconsin Electric Power Company (Wisconsin Electric)
- Xcel Energy Services, Inc. (Xcel)

**Parties that submitted answers and/or replies:**

- Basin Electric (answer and reply)
- MidAmerican (answer)
- Midwest ISO (answer)
- Midwest ISO TOs (answer)
- Midwest TDUs (answer and supplemental comments)
- Minnkota (answer)

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of Xcel; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company; Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

<sup>2</sup> Midwest TDUs include: Great Lakes Utilities, Madison Gas and Electric Company, Missouri Joint Municipal Electric Utility Commission, Midwest Municipal Transmission Group, Missouri River Energy Services, Municipal Energy Agency of Nebraska, and Wisconsin Public Power Inc.

<sup>3</sup> OMS includes: Indiana Utility Regulatory Commission, Iowa Utilities Board, Kentucky Public Service Commission, Michigan Public Service Commission, Minnesota Public Utilities Commission, Missouri Public Service Commission, Montana Public Service Commission, North Dakota Public Service Commission, Public Utilities Commission of Ohio, South Dakota Public Utilities Commission, and Wisconsin Public Service Commission.

## Appendix B

Midwest ISO and Midwest ISO Transmission Owners, as applicable, should respond to the following questions in writing within 60 days of the date of this order in order to complete the Market Service proposal. In responding to each question below, please indicate what, if any, revisions should be made to the Market Service proposal.

### **Lack of Information about MITS and MITS-comparable charges<sup>1</sup>**

1. Pursuant to Schedule 32 of the Tariff, a Market Service customer pays Midwest ISO a MITS charge for the unreserved transmission service on the Midwest ISO system needed for exports to the Market Service customer resulting from Midwest ISO's Security Constrained Economic Dispatch. A Market Service customer recovers a portion of those MITS charges from its own customers under the Market Service customer's tariff.<sup>2</sup> In addition, each Market Service customer will determine its own charge for service over its facilities for exports to the Midwest ISO system or the system of another Market Service customer (i.e., the MITS-comparable charge) and provide the mechanism to recover that charge from customers on its system.<sup>3</sup> However, the proposal does not include information about the allocation and rate design for the recovery mechanisms that the Market Service customer will use to recover costs associated with MITS and MITS-comparable charges from customers under the Market Service customer's tariff. Midwest ISO states that the MITS and MITS-comparable charges will not be transactional and thus will not alter bidding incentives, but we cannot determine the impact of these charges on the Midwest ISO operating reserve and energy markets without knowing how the Market Service customer will recover those charges.

- a. Please address concerns that MITS and MITS-comparable charges could create incentives for generators to offer above (or below) their marginal costs and, thus, create an inefficient dispatch and/or result in generators and load being worse

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<sup>1</sup> Schedule 32 "Market Integration Transmission Service" (MITS) & Attachment MM "Pro Forma Provisions for Market Coordination Customer Open Access Transmission Tariff."

<sup>2</sup> Attachment MM at section YYYYYY states that a customer under the Market Service customer's tariff shall pay a portion of the MITS charges that the Market Service customer pays to Midwest ISO.

<sup>3</sup> Midwest ISO Proposal at 19. In addition, Attachment MM at section Y.4 states that customers under the Market Service customer's tariff shall pay for use of the Market Service customer's transmission system in connection with transactions in the Midwest ISO energy and operating reserve markets.

off for having their bids or offers accepted for purchases from or sales into the Midwest ISO markets. Explain how MITS and MITS-comparable charges will be calculated in their entirety and how they will affect the operating reserve and energy market prices under Module C of Midwest ISO's TEMT.

b. Depending on how the charges and associated calculations are performed, the rate design for MITS and MITS-comparable charges can potentially adversely impact the bidding behavior of market participants and may result in unjust and unreasonable prices in Midwest ISO's operating reserve and energy markets. Explain how MITS and MITS-comparable charges should be designed (including any provisions that should be added to Attachment MM for inclusion in a Market Service customer's tariff) to avoid creating incentives for generators to offer above (or below) their marginal costs. For example, should transmission service charges be discounted to avoid such outcomes? If so, what impact would such discounting have on the overall level of revenues associated with through and out transmission service under Market Service?

2. Part A(2) of Schedule 32 provides that during a three-year transition period, the MITS charge for a Market Service customer will be equal to transmission charges that Midwest ISO assesses for exports to that Market Service customer during the calendar year prior to the customer taking Market Service. However, the application does not include all the necessary information about how Midwest ISO will calculate the MITS charge for the transition period. For example, would the MITS charge for the transition period calculated in Part A(2) of Schedule 32 include charges collected for *all* transmission service reserved under the TEMT for delivery to the interface with a Market Service customer during the relevant calendar year or only for transmission service the Market Service customer itself reserved under the TEMT? Please provide sufficient detail and examples to demonstrate how the MITS charge during the transition period will be calculated.

3. Part B(2) of Schedule 32 provides that a Market Service customer receives a credit against the Midwest ISO MITS charges for certain transmission service reserved under the TEMT. However, the application does not include all the necessary information about how Midwest ISO will calculate that credit. Would a Market Service customer receive a credit against its MITS charges and MITS demand for *all* transmission service reserved under the TEMT for delivery to the interface with a Market Service customer or only for transmission service the Market Service customer itself reserves under the TEMT? Please provide sufficient detail and examples to demonstrate how the credit mechanism will be calculated and how it will be applied.

4. Would a Market Service customer have access to all of the information it needs to support recovery of MITS costs (charged to it by Midwest ISO), and MITS-comparable costs, from the Market Service customer's tariff customers, consistent with cost causation principles? What information would be required and how would this information be

provided? For example, would Midwest ISO provide the Market Service customer with an itemization of all credits (e.g., separate line-items listing each transaction that is associated with the credit and the customer whose reservation was used to cover that transaction)? Please explain the level and type of information that will be available to a Market Service customer.

### **Lack of Information about Transmission Planning and Expansion Coordination**

5. Under the proposal, the Market Service customer and Midwest ISO would develop a mutually agreed-upon methodology for Available Transfer Capability (ATC). Which, if any, criteria from Attachment C (“Methodology To Assess Available Transfer Capability”) would Midwest ISO use to examine whether a Market Service customer’s ATC is acceptable?

6. Proposed section 90.2.9 requires that Midwest ISO and each Market Service customer coordinate the calculation of ATC/AFC/TTC pursuant to a mutually agreed-upon methodology as indicated in the Service Agreement executed by the Market Service customer under section 96 and Attachment KK-3 of the TEMT. The proposal fails to explain what is meant by “coordinate the calculation” and fails to address how Midwest ISO will reconcile any differences in methodologies that could be proposed by Market Service customers. This information is necessary for the Commission to evaluate the proposal, especially because ATC impacts an entity’s ability to obtain transmission service and financial transmission rights. Therefore, Midwest ISO is directed to explain how it will reconcile any differences in proposed methodologies for calculating ATC/AFC/TTC.

7. Please see the comments of the OMS at page six where, among other things, OMS urges “the Commission to require the Midwest ISO to develop a proposal to ensure that the planning requirements for [Market Service customers] are transparent and coordinated with the Midwest ISO planning and interconnection processes.” Please explain how the present proposal addresses the issues raised by OMS.

8. According to proposed section 90.2.3, in order for Market Participants - under a Market Service customer’s tariff - to receive ARR entitlements, the Market Service customer must provide in its tariff for a mutual obligation by the Market Service customer and Midwest ISO to maintain simultaneous feasibility across the combined systems by expanding their respective transmission systems to serve network load.

a. Explain what criteria would be used to determine if a Market Service customer or Midwest ISO has fulfilled the expansion obligation to maintain simultaneous feasibility across the combined system.

b. Describe the process, including the timeline, for making such determinations and fulfilling the obligation. Explain how such a process will

ensure that adequate time is available to resolve disputes and cure deficiencies, if any, in the Market Service customer's expansion plans.

c. Explain what would happen to the ARR nominations in the event that inadequate expansions were made by either a Market Service customer or Midwest ISO to maintain simultaneous feasibility. Explain who would bear cost responsibility in such circumstances.

9. Please address how the following situations would be resolved under this proposal:

a. Midwest ISO and a Market Service customer disagree on whether an expansion is required;

b. Midwest ISO and a Market Service customer agree that a project is required but are unable to agree upon who shall bear the cost of any necessary transmission upgrades.

### **Governance**

10. The proposal does not specify the relationship between the Joint Coordinating Committee (JCC) and Midwest ISO's existing stakeholder committees and processes. Clarify this relationship, including whether the Advisory Committee should have any reporting, oversight, or other functions in regard to the JCC.

11. In proposed section 95.9, Midwest ISO proposes that Market Service customers would be eligible to participate as members of the coordinating members segment in Midwest ISO's stakeholder process. The proposal does not address whether Market Service customers meet the Midwest ISO TO Agreement's definition of coordinating members. If not, does Midwest ISO intend to revise the Midwest ISO TO Agreement?

### **Exit Fee**

12. Midwest ISO states in the application that the availability of new options such as Market Service will not encourage existing Midwest ISO Transmission Owners to withdraw because the exit fee that will apply to a Midwest ISO Transmission Owner withdrawing from the Midwest ISO TO Agreement will operate to discourage casual withdrawals. However, Midwest ISO does not provide information about the financial impact of the exit fees under Schedules 10, 16, 17 and 31 of the TEMT on a Midwest ISO Transmission Owner who withdraws from the Midwest ISO TO Agreement and subsequently takes Reliability Service and Market Service. To provide the Commission with a basis to evaluate the financial impact of the exit fees as it pertains to the existing membership in Midwest ISO, quantify that impact using Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU), and the exit fees negotiated

upon their withdrawal from Midwest ISO as an example. Factor in the credits that would be due to LG&E/KU for any charges they would incur under Schedules 10, 16, 17 and 31 after withdrawal using the methodology for such credits as reflected in Schedules 10-C, 16-A, and 17-A of the TEMT. Assume that LG&E/KU commenced taking Reliability Service and Market Service upon their withdrawal, and continue taking such services during the entire period for which they are eligible to receive credits against charges incurred under Schedules 10, 16, and 17, or their equivalents, such as Schedule 31, using the methodology reflected in Schedules 10-C, 16-A, and 17-A of the TEMT.